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20 MAY 1987

China Report

ECONOMIC AFFAIRS

SPECIAL NOTICE INSIDE

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20 MAY 1987

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NATIONAL AFFAIRS, POLICY

PROMULGATION OF REGULATION ON MEASURING INSTRUMENTS

Inspection and Testing

OW222347 Beijing XINHUA Domestic Service in Chinese 0111 GMT 22 Apr 87

[Text] Beijing, 22 Apr (XINHUA)--"Regulation on Inspecting and Controlling Measuring Instruments Requiring Compulsory Inspection and Testing of the People's Republic of China."

(Promulgated by the State Council on 15 April)

Article 1. In order to meet the needs of developing socialist modernization, protect the interests of the state and consumers, safeguard the people's lives, health, and property, and strengthen the control of measuring instruments requiring compulsory inspection and testing, this regulation is formulated on the basis of Article 9 of the "Law of Weights and Measures of the People's Republic of China."

Article 2. Compulsory inspection and testing means that all instruments used in trade, safety supervision, environmental monitoring, and medical work, as well as those listed in the "List of Measuring Instruments Requiring Compulsory Inspection and Testing of the People's Republic of China," appended to this regulation should be inspected and tested at regular intervals by a measuring instruments inspection or testing organ under the administration, or with the authorization of the department in control of weights and measures of the people's government at, or above, county level. The regulation involve compulsory inspection and testing of measuring instruments, and involves the use of measuring instruments requiring compulsory inspection and testing.

Article 3. The department in control of weights and measures of a people's government, at or above county level, uniformly supervises and controls the work of inspecting and testing those measuring instruments requiring compulsory inspection and testing within its jurisdiction. On the principle of conducting inspection and tests at the nearest location, and in the most economical way, it may also designate a measuring instruments inspection and testing organ under its administration, or on which it has authorized to exercise compulsory inspection and testing.

Article 4. The local people's government is responsible for providing the inspection and testing organ under the administration of the weights and measures department of a people's government at or above county level with the necessary standards and facilities for inspecting and testing the measuring instruments for the state.

Article 5. The unit or individual using any measuring instrument requiring compulsory inspection and testing must register such instrument or instruments with a prepared list, according to regulations, and report to the weights and measures department of the local county (city) level people's government for the record. This unit or individual must also approach the designated measuring instruments inspection and testing organ for inspection and testing at regular intervals. If such instruments cannot be inspected or tested locally, the unit or individual must approach the measuring instruments inspection and testing organ designated by the weights and measures department under the people's government at a higher level for inspection and test of the instruments at regular intervals.

Article 6. The schedules for compulsory inspection and testing are to be determined by the inspecting and testing organ exercising compulsory inspection and testing on the basis of the regulations for inspecting and testing measuring instruments.

Article 7. No units or individuals are allowed to use measuring instruments requiring compulsory inspection and testing, if they have not requested inspection or testing according to the regulations, or such instruments have failed to pass inspection or tests.

Article 8. The weights and measures department under the State Council, and such departments in various provinces, autonomous regions, and municipalities under the direct administration of the central government, should set a time limit for inspecting and testing all measuring instruments requiring compulsory inspection and testing. Those organs exercising compulsory inspection and testing should complete their task in inspecting and testing the instruments within the prescribed time limit.

Article 9. The organ exercising compulsory inspection and testing of such instruments should issue a proper certificate of inspection or a certificate of quality specified by the state for any measuring instrument which has passed inspection and tests, or put a stamp on the instrument to certify that it has passed inspection. In dealing with instruments which fail to pass inspection, it should notify the unit or individual using the instrument of the results of the inspection or tests, or revoke the original stamp of quality on the instrument.

Article 10. For the convenience of the control, production, and use of such instruments, the weights and measures department under the people's government at, or above, county-level, may, in close connection with the actual situation in their own district, authorize the measuring instruments' inspection and testing organ of a unit concerned to exercise compulsory inspection and testing within certain limits.

Article 11. The measuring standards used by an organ authorized to exercise compulsory inspection or testing should be inspected and verified against the measuring datum or public measuring standards in society. Personnel exercising compulsory inspection and testing must pass an examination given by a unit authorizing them to conduct such inspection and testing. This unit must also supervise their work in inspecting and testing instruments.

Article 12. When the organ authorized to exercise compulsory inspection and testing on others becomes a party in a dispute involving the inspection and testing of a measuring instrument, the case should be handled according to the relevant provision of the "Regulations for the Implementation of the Law of Weights and Measures of the People's Republic of China."

Article 13. Enterprises and undertakings using measuring instruments requiring compulsory inspection and testing must strengthen their control over such instruments, work out relevant rules and regulations, and ensure that such instruments be inspected and tested at regular intervals.

Article 14. If any unit or individual using measuring instruments requiring compulsory inspection and testing; any person supervising or controlling such instruments; or any persons exercising compulsory inspection and testing of such instruments violates any provision of this regulation, the unit, individual or person will be held legally responsible, according to the "Regulations for the Implementation of the Law of Weights and Measures of the People's Republic of China."

Article 15. If any organ exercising compulsory inspection or testing of such measuring instruments stalls for time in inspection and testing, in violation of Article 8 of this regulation, it should act upon the request of the unit presenting the measuring instrument for inspection and testing to check and test the instrument promptly and free of charge.

Article 16. The weights and measures department under the State Council may draw up a detailed list of the measuring instruments requiring compulsory inspection and testing on the basis of this regulation, and the "List of Measuring Instruments Requiring Compulsory Inspection and Testing of the People's Republic of China."

Article 17. The weights and measures department under the State Council is responsible for interpreting this regulation.

Article 18. This regulation will go into effect on 1 July 1987.

List of Measuring Instruments

OW222351 Beijing XINHUA Domestic Service in Chinese 0021 GMT 22 Apr 87

[Text] Beijing, 22 Apr (XINHUA)--List of the Measuring Instruments that Require Compulsory Inspection and Test of the People's Republic of China.

The following measuring instruments used in trade, safety supervision, medical work, and environmental monitoring require compulsory inspection and testing:

1. Ruler
2. Area measuring device
3. Glass measuring device for liquid
4. Thermometer
5. Device for measuring the flash point of gasoline
6. Device for measuring the moisture content of grain
7. Calorimeter
8. Weight
9. Balance
10. Scale
11. Fixed quantity packing machine
12. Track scale
13. Unit weight meter
14. Measuring jar and tank car
15. Refuelling machine
16. Liquid measuring carriers [ye ti liang ti 3210 7555 6852 2251]
17. Edible oil selling instrument
18. Ethyl alcohol gauge
19. Densimeter
20. Saccharimeter
21. Milk measuring device
22. Gas meter
23. Water meter
24. Flowmeter
25. Pressure gauge
26. Sphygmomanometer
27. Tonometer
28. Odometer
29. Taximeter
30. Speedometer
31. Vibration meter
32. Electric meter
33. Device for measuring mutual inductance
34. Insulation and grounding resistance measuring meter
35. Field intensity meter
36. Electrocardiogram and electroencephalogram
37. Exposure meter (including medical radiant)
38. Ionizing radiation protection instrument
39. Activity measuring instrument [huo du ji 3172 1653 6060]
40. Laser energy and power meter (including medical laser radiant)
41. Ultrasound dynamometer (including medical ultrasound radiant)
42. Sound level meter
43. Audiometer
44. Poisonous gas analysis instrument
45. Acidity meter
46. Gas meter
47. Mercury content measuring instrument

- 48. Flame photometer
- 49. Spectrometer
- 50. Colorimeter
- 51. Smoke and dust content measuring instrument
- 42. Water pollution monitoring instrument
- 53. Breathalyzer
- 54. Blood cell counter
- 55. Dioptrimeter

Control Over Measuring Instruments

HK240933 Beijing RENMIN RIBAO in Chinese 23 Apr 87 p 2

[Commentator's article: "Enhance Supervision and Control of Measuring Instruments Concerning the People's Livelihood"]

[Text] The "Procedures for Testing and Managing Measuring Instruments Subject to Compulsory Tests and Supervision in the PRC" promulgated by the State Council is another important administrative decree following the "Rules for the Implementation of the Measurement Law." It is of great significance in guaranteeing the interests of the state and the consumers, guaranteeing the people's health and the safety of their lives and property, maintaining a good socioeconomic order, and promoting socialist modernization.

Whether the measuring instruments used in trade, safety supervision, environmental monitoring, and medical work are accurate and reliable is an issue that influences the business management of all trades and the immediate interests of all households. For example, in the commercial field, the inaccuracy of measuring instruments and the frauds that are carried out through measuring instruments will always irritate the consumers and harm the reputation of our socialist commerce; the inaccuracy of measuring instruments will also often cause economic disputes between enterprises and affect the economic accounting and management of the enterprises. If the measuring instruments used by medical units for medical testing, diagnosis, pharmacy, and medical treatment are not accurate, they may seriously affect the health of the patients or even endanger their lives. In the field of safety supervision and environmental monitoring, if the pressure meters, gas meters, and dust surveying instruments, and other measuring instruments are out of repair and become inaccurate, some explosions may occur and cause casualties. All this shows that the State Council's procedures for compulsorily testing and managing the measuring instruments concerning people's livelihood are completely necessary.

At present, our country is carrying out economic structural reforms. The compulsory testing and management of the measuring instruments concerning the people's livelihood is also a need in enlivening the economy and strengthening economic management. This also demonstrates the principle of the party and the government for protecting the people. This work involves many fields in the socioeconomic life, requires great and meticulous efforts and a high degree of technology. Governments and the departments in charge at all

levels must strengthen their leadership over this work and support this work from all aspects. User units must work out their concrete measures for managing the instruments which are subject to compulsory testing and control, and should submit the instruments for regular testing. They must not continue to use those instruments which do not measure up to the standards.

The measurement control department must strictly implement the relevant regulations on compulsory testing, and should make a circuit of regular inspections so as to protect the state and the people from the harm caused by inaccurate or fraudulent measurement.

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CSO: 4006/595

NATIONAL AFFAIRS, POLICY

REPORT ON INVESTMENT, PRICES, CREDIT, FINANCE

Shanghai SHIJIE JINGJI DAobao in Chinese 23 Feb 87 p 2

[Unattributed article: "Today's Investment, Prices, Credit, and Finance; Discussion of the Latest Report from the Chinese Economic Reform Institute"]

[Text] The latest report from the No 1 Research Office of the Chinese

Institute for Reform of the Economic System takes issue with application of the traditional concept of overall macroeconomic balance under China's current economic conditions and reaches conclusions at odds with those of many experts; this has aroused intense debate and increasing concern.

Scale of Construction Rather Than Annual Investment Should Be Cut Back

This report holds that one major reason for the actual 1986 rate of increase in industrial output value being approximately 2 percentage points below the potential rate of increase is that relative investment in fixed assets is inadequate. Investment for the year in publicly owned fixed assets increased by nearly 17 percent; eliminating the price factor, the actual increase was far below the increase in industrial output value. With investment in fixed assets being inadequate, in order to sustain an increase in output value it becomes essential to greatly expand stocks, and this leads to an unusually large-scale increase in liquid funds.

In order to ensure normal growth in this year's industrial output value and reserve strength for long-term development, investment in fixed assets should not only not be cut back but must be appropriately increased; the increase in actual demand for investment items must not be lower than the increase in potential production. Such problems as excessive construction are indeed still present in investment, but what should be cut back is the scale of construction and not the scale of annual investment. With extra-budgetary investment being blocked, weakening budgetary investment not only does not help relieve deficits, but may cause the economy to sag.

Higher Prices Do Not Necessarily Reflect an Expansion of Total Current Demand and the True Rate of Inflation

This report states that an overheated economy may bring on inflation, and this is not problematic, but using prices directly to assess current total output is problematic.

One problem is that there is a time lag between prices and change in total output. When demand increases, the first change occurs in output and stocks, and this is followed by an increase in prices; conversely, when total demand is cut back, there may first be an increase in stocks and a decrease in output, and then the price index drops. This is especially obvious in developed countries. Retrenchment began in China in the second quarter of 1985; the price index peaked in the third quarter and then began to ease off in the fourth quarter. If this time lapse were ignored, and the 1986 rise in prices were used to infer that the economy was still overheated, a completely erroneous conclusion would be reached. Furthermore, in examining the total money supply, price trends should be looked at, rather than considering only the rate of increase in prices.

A second problem is the substitution of currency for noncurrency trade. When prices are distorted, it is not the median price that determines currency value but rather the price of high-priced goods; under the dual-track system, currency value is represented not by mixed prices but by market prices. The process of China's price reform is largely a process of currency replacing noncurrency trade; so long as market prices remain stable, a rise in the mixed price index does not reflect devaluation of currency but only of noncurrency trade. From this viewpoint, the decline in China's actual currency value in recent years is far less than the increase in prices. An adjustment in list prices must be accompanied by an increase in the volume of currency. In 1986, as the market prices of many goods dropped sharply, the mixed price index went up, reflecting deflation rather than inflation. Therefore, what should be stabilized during reform is market prices, not mixed prices. Attempting to bring both forms of prices together by forcing down market prices necessarily leads to economic retrenchment.

Major Changes in the National Income Distribution Structure Give New Meaning to Financial Deficits

In the past, people always judged the economy's total output according to financial income and expenditure, and deficits were viewed as synonymous with excessive total demand. Under the old system, national income was divided into two main segments, individual income and financial income, with virtually all individual income spent on consumption, and investment being the function primarily of the financial departments. In this way, the proportions and levels of consumption and accumulation were basically determined by financial policy; the financial situation was a comprehensive reflection of the economic situation, and financial deficits and economic overheating were two sides of the same coin.

However, since 1978 the proportion of financial income has declined markedly, while incomes of enterprises and individuals have risen sharply. Because the increase in individual expenditure was slower than the increase in income, there was a major increase in savings, causing a sharp divergence between the structure of savings and the structure of investment, there no longer being

any way for the financial departments to directly control the proportions and levels of consumption and accumulation. This change demonstrates that macroeconomic balance has already changed from the respective balances of individuals and the financial departments to an overall balance of individuals, enterprises, and the finance departments. This overall balance is also more dependent on the credit policies of banks. Therefore, deficits may occur not only when total output is balanced or when total demand is excessive, but also when total demand is inadequate, and there is no longer any necessary corresponding relationship between financial balance and balance of total output.

In considering the foregoing, it is necessary to distinguish between cyclical deficits and structural deficits. Deficits in recent years have contained both cyclical and structural factors. In 1985 the cyclical surplus was greater than the structural deficit, which gave the financial departments an overall surplus, but this situation cannot occur year after year.

Change in the structure of distribution of national income gives the relationship between financial departments and banks a completely new significance. In the past, financial expansion and deficits led to bank overdrafts, which led to more currency being issued and the economy becoming overheated. The current situation is different: if bank credit is cut back too much, it may cause the economy to sag and financial income to be reduced; rigid expenditure by the financial departments necessarily leads to increased deficits. Conversely, expansion of bank credit may lead to somewhat better days on the financial scene. Therefore, if we state that past deficits were inflationary, present deficits may be constrictive, with deficits reflecting retrenchment rather than overheating. In this way, attempting to solve the deficit problem by restricting credit will generally achieve the opposite result. Of course, it cannot be denied that excessive expansion of expenditure by the financial departments themselves may also lead to an increase in deficits.

13322

CSO: 4006/453

NATIONAL AFFAIRS, POLICY

JINGJI RIBAO VIEWS REDUCING EXPENDITURE

HK301019 Beijing JINGJI RIBAO in Chinese 17 Apr 87 p 1

[Report: "State Council Issues Circular on Controlling Administrative Costs This Year"--passages within slantlines published in boldface]

[Text] On 6 April, the General Office of the State Council issued the "Report on the Question of Controlling Administrative Costs" compiled by the Ministry of Finance.

The General Office of the State Council also issued a notice pointing out that over the past few years, administrative costs have increased too rapidly, surpassing the increase rate of both the national income and financial expenditure in the same period. This situation has not only resulted in an excessive growth in consumption funds and an imbalance between our country's financial revenue and expenditure, but has also given rise to certain malpractices. Therefore, we must pay great attention to this problem. To control the growth of administrative costs is not only the work of financial departments but also the common responsibility of all regions, departments, and units. The people's governments at various levels must strengthen their leadership in the work, and all staff and workers of state organs, especially leading cadres, should set good examples, be economical, be honest in performing their official duties, and take the lead practically in the work. The various regions and departments must formulate specific regulations according to the measures proposed in the Ministry of Finance report so as to conscientiously carry out those measures. All relevant departments, such as financial, planning, staff planning, auditing, banking, pricing, and some other departments, should closely cooperate with one another in doing the work. Starting this year especially, the auditing department will generally implement a regular auditing system and strengthen auditing supervision over all administrative units so as to ensure the success of controlling administrative costs.

The Ministry of Finance report held that in order to control administrative costs, priority should be given to streamlining administrative departments and reducing the number of office staff. As far as public expenditure is concerned, the general principle is to strictly control public expenditure.

The 1987 budget for administrative expenditure will be cut by 10 percent, which will be shown by cutting various types of administrative expenditure except necessary ones, such as the salaries of the staff and workers and so on.

In order to practically grasp the cutting of administrative costs, the Ministry of Finance report has put forward the following nine measures:

/1. To purify and streamline organizations and reduce the number of staff./ This is the key to cutting administrative costs. In principle, to increase the number of organizations and staff and upgrade organizations will not be permissible until overall organizational reform starts. It is imperative to conscientiously streamline all non-permanent organizations in accordance with relevant State Council documents, and abolish organizations that should be abolished. Higher authority professional departments should not interfere with the abolition of unnecessary organizations on any excuse. In future, without special approval, the various departments cannot regard views on increasing the number of organizations and staff, which are informally contained in reports and summaries of minutes by various departments, as the basis for implementation of those views. Staff planning, personnel, and financial departments must closely cooperate with one another in controlling the number of office staff and allocate administrative funds according to the exact number of staff and workers.

/2. To further rationalize the scope of administrative expenditure./ At present, the scope of administrative expenditure is huge and complicated, and therefore should be rationalized. Planning departments should be responsible for capital construction investment in all newly established or expanded institutions and units, and for the construction of office buildings for these institutions and expansions. If some units need to rent office buildings under special circumstances, they should first get approval from the people's governments concerned and pay the rent on time. If these units fail to pay the rent on time, the financial departments concerned will stop allocating funds to these units.

/3. To readjust charges in internal guest houses, restaurants, and hostels./ Over the past few years, some internal guest houses, restaurants, and hostels have recklessly raised their charges and increased their board standards. As a result, expenditure on conferences and official business trips has also greatly increased. The "Views on Strengthening the Administration of Internal Guest Houses, Restaurants, and Hostels" formulated by the Ministry of Finance Price Bureau has been approved by the State Council, and the various regions and departments must conscientiously carry out the relevant measures.

/4. To strictly control the purchase of equipment./ The financial departments should not implement the documents concerning the purchase of vehicles which are issued by the various departments of the central authorities, without authorization. The people's governments at various levels should organize relevant departments to carry out a careful examination of

the vehicles presently possessed by the various state organs and departments. Surplus vehicles should be gathered together for use in a unified way.

Along with the modernization of office work, a lot of units have been equipped with photocopiers, microcomputers, and some other types of advanced equipment, but the utilization rate of these is still low. Financial departments in various regions should study and put forward measures to control the purchase of advanced office equipment, and strengthen control on such purchases. All departments are therefore encouraged to share advanced office equipment and avoid waste.

/5. To greatly reduce unnecessary meetings./ All cadres' meetings, at and above bureau chief level, held nationally but not in accordance with the stipulations in the relevant state documents, must be examined and approved by the State Council. The period, scope, and cost of a specific meeting of this type must be approved by the State Council. The various regions should also formulate measures for the examination and approval of such meetings so as to avoid holding unnecessary meetings. Cadres' meetings cannot be held in foreign related guest houses and restaurants, and nor can they be held in tourist areas and scenic spots during the peak tourist season. It is also imperative to strictly control the number of meetings held by various associations, academic societies, research organizations, and so on. If there really is a need to hold such meetings, the units that sponsor such meetings should be fully responsible for the expenses of such meetings, and financial departments should not provide the funds.

/6. To improve and perfect the fund contract system./ In future, once the contract budget is announced, it must be strictly implemented. Even under special circumstances where more funds are needed, it is still necessary to stick to the method of examination and approval with "a pen."

/7. The logistics departments of state organs should gradually implement economic management./ It is suggested that the various departments adopt more measures to accelerate logistics reform according to the principle of guaranteeing office work, improving service quality, and reducing administrative expenditures.

/8. To implement an overall regular auditing system in administrative units./ Starting this year, an auditing system will be in effect for all administrative departments so as to strengthen auditing supervision. If problems are discovered through auditing, they must be strictly dealt with in accordance with the relevant rules and regulations. Auditing organs should inform financial departments of units which do not report or refuse to report their accounts to the auditing departments for examination, and urge financial departments to suspend or reduce appropriations to these units.

/9. To vigorously advocate practicing thrift and economy./ All units are banned from making use of opportunities, such as official business trips and meetings, to go sightseeing, from using public funds to buy gifts, and holding

feats for domestic business exchanges. If units are found to have violated this regulation, their expenses cannot therefore be covered by public funds, and the people concerned will also be held responsible for such violations. All units are banned from distributing prizes and bonuses in the name of certain meetings without approval from the relevant financial departments. All units are banned from subscribing to unnecessary publications, and all publishing units are banned from publishing publications in an apportioned way. At present, there are too many types of documents, bulletins, materials, and publications. Thus, great efforts should be made to check up on and compress these publications. Moreover, many units are presently wasting a lot of electricity, coal, and gas. It is therefore necessary to strengthen education and propaganda in this field and practice economy. Financial departments at various levels and the departments concerned, should formulate specific measures according to the above requirements and strictly carry out them.

/6662

CSO: 4006/592

NATIONAL AFFAIRS, POLICY

JINGJI RIBAO ON IMPROVING MACROECONOMIC CONTROL

HK300750 Beijing JINGJI RIBAO in Chinese 18 Apr 87 p 3

[Article by Wei Xinghua (5898 5281 5478) and Wei Jie (7614 2638): "Some Thoughts About Improving Macroeconomic Control"--passages within slantlines printed in boldface]

[Text] /1. While controlling total demand with macroeconomic policies, we should pay more attention to effectively increasing supply./

All facts have fully proven that the Chinese economy actually faces inflated demand. However, because the contradictions between total supply and demand and between the proportional structures are intertwined, there are still both surpluses and shortages in the market despite the serious conditions marked by an extremely inflated total demand. As a result, although supply falls short of demand, there is also overstocking of products: although some factories are operating above capacity, others are operating below capacity. This intricate situation is liable to mislead people, making it difficult for them to make correct judgments. Consequently, some people still insist that the main problem today is insufficient effective demand. They favor stimulating the growth of total demand and making those departments which are operating below capacity work at full steam by increasing demand. In fact, given the present seriously inflated total demand, the principal cause for the failure of some production departments to give full scope to their capacity does not lie in insufficient market demand. On the contrary, the excessively inflated total demand has aggravated the shortages of some key products. The principal cause for some departments operating below capacity is that the excessively inflated total demand has led to serious shortages of some resources. For this reason, the current problem in the Chinese economy is the lack of coordination between total supply and total demand, which is marked by an inflated total demand rather than by insufficient effective demand.

How should we reconcile the contradiction between total supply and total demand which is marked by an inflated total demand? In the short term, given a fixed total supply, we should naturally concentrate on suppressing total demand and, in the long term, taking into consideration the inertia of the developing inflated total demand and the rigidity of material interest

which tends to go up rather than down, we should concentrate on effectively increasing supply while suppressing total demand. That is to say, we may adopt strict regulatory measures to suppress total social demand but we may also adopt relaxed regulatory measures to stimulate the effective increase of supply. In suppressing total demand and increasing total supply, we should not adopt a unity form. Suppression of total demand should be coordinated with relaxations and increase in total supply should be coordinated with reductions. By adopting different methods of tightening and relaxing controls we can coordinate the relationship between total supply and total demand.

How can we pay more attention to increasing effective supply while suppressing total demand? First, it is necessary to work out a scientific industrial policy to guide the investment activities. Resolute efforts should be made to reduce non-productive investments and to increase the productive investment that can promote supply. In particular, we should increase investments in the production of urgently needed crucial products. Second, it is necessary to straighten out the economic interests of the workers and staff members so as to arouse their enthusiasm for production. It is necessary to coordinate several mechanisms, such as democracy in management, bounds of discipline, and ideological guidance. Straightening the economic interests chiefly means that the wages of workers and staff members and their bonus incomes should be gauged according to their labor so that the principle of more pay for more work and less pay for less work can really be implemented. Democracy in operations means that the workers and staff members should have practical decision-making power in operations so as to fully exploit their role as the master of enterprises. The bounds of discipline mean that the workers and staff members should observe production rules and regulations, including labor discipline. Ideological guidance means that in their actions the workers and staff members should be conditioned by such correct ideas as observing professional ethics and carrying out arduous struggle. Given the present conditions, only by the organic combination of internal encouragement and external restrictions is it possible to arouse the enthusiasm of the workers and staff members for production and to establish a favorable production order.

/2. In choosing macroeconomic means of regulation, while giving full play to such means of regulation as finance and banking, we should attach importance to the use of ownership as a restrictive means of regulation./

Ours is an economic system based on the system of public ownership of the means of production and the system of state ownership plays a dominant role in our country. The state can effectively regulate the economy through ownership. Take state-owned enterprises for example. The system of state ownership can regulate the economic operations in four ways. First, conditions for transferring the power of operations. Under the system of indirect macroeconomic control, state-owned enterprises are generally no longer directly run by the state. Through the method of separating ownership from the power of operations, the enterprises have independent power of operations and become relatively independent commodity producers and dealers. However, no matter what methods the state may adopt in transferring the power of operations, they are always based on the condition that the dealers should assume certain

economic responsibilities. The economic responsibilities assumed by the dealers are actually the conditions under which the state transfers the power of operations by changing the conditions for transferring the power of operations. Second, the form of realizing ownership. After the power of operations are transferred, the ownership of state-owned enterprises is primarily realized through the method of distributing profits. In line with the regulatory objective, the state can regulate the distribution of profits through the ownership and affect and guide the operational activities of the enterprises through changes in the distribution of profits. Third, the ultimate power of voluntary regulation. After transferring the power of operations, the state still owns the enterprise. For this reason, the state actually reserves the ultimate power of voluntary regulation over the operational activities of the enterprises. If, in their operational activities, the enterprises obstruct the realization of the state objectives, the state may exercise its ultimate power of voluntary regulation by dint of ownership. Fourth, the universal power of supervision. State-owned enterprises belong to the whole people. Therefore, even if the state has transferred the power of operations, people can still exercise full supervision over the enterprises in line with the ownership relationship and effectively regulate their operational activities through economic supervision.

On the methods of macroeconomic regulation the capitalist countries have something in common with the socialist countries but their regulatory effect is much inferior to that of the socialist countries. This is because the capitalist economic system is based on private ownership of the means of production and the ownership does not play an active role in macroeconomic regulation. Socialism practices public ownership of the means of production with state ownership of the means of production with state ownership playing a dominant role. That is why the socialist indirect macroeconomic control has a relatively strong regulatory power. It is also a prerequisite for the active role of the means of indirect macroeconomic control. Judging from the aspect of improving indirect macroeconomic control, all proposals which attempt to abolish state ownership or negate the system of public ownership are undesirable.

/3. While improving the macroeconomic control structure, we should pay full attention to giving play to the guiding role of planning./

In stressing the guiding role of planning on the macro level, we do not mean taking the beaten track of using planning to directly manage the economy, still less to exclude and weaken the role of market mechanisms. Judging from the practical conditions, we hold that the role of market mechanisms has not been brought into full play. For this reason, further efforts should be made to relax controls on market mechanisms. However, the role of market mechanisms must reflect the requirements of planning. This is because, without the guidance of planning, pure market mechanisms only have limited functions in influencing long-term production scale and structure. It will also take China's market relations a very long time to develop to the stage where it is possible to accumulate enormous capital and to engage in important construction

projects that can favorably affect the national economic structure. If we turn over the long-term structure of economic development to the pure market mechanisms, which do not have the guidance of planning, it will only aggravate the structural contradictions, bringing about temporary prosperity marked by the excessive development of the processing industry and incurring the hidden peril of the increasing shortage of the infrastructure and the basic industries. This will present our economic construction with enormous difficulties.

Planning exercises in its guiding role on market mechanisms through macroeconomic policies. That is to say, planning can be introduced in the form of macroeconomic policies, which regulates market mechanisms. The macroeconomic policies stipulate in a compulsory manner the changes of various macroeconomic variables, which have an internal functional relationship with the operations of market mechanisms. For example, the growth in money supply will lead to changes in such market mechanisms as price and interest rates. For changes in such market mechanisms as price and interest rates. For this reason, the regulatory function of macroeconomic policies is especially strong and sensitive. It is far superior to the spontaneous regulation exercised through the state's direct administrative orders and the macroeconomy itself. Although the state uses its coercive force to issue direct administrative orders, it does not achieve its intentions through the functional relationship between the macroeconomic variables and the market operational mechanisms. Therefore, it is often difficult to effectively use the mutual restrictive relationship between the economic variables to regulate market mechanisms. As a result, the regulatory effect is very poor. The macroeconomy exercises spontaneous regulation through the internal links between the macroeconomic variables and the market mechanisms. However, since it does not apply the state's coercive and guiding force, the regulatory process will extend for a long time. This is liable to cause economic upheavals and material waste. The macroeconomic policies, however, fully exploit their strong points and so can effectively achieve the desired objectives of regulation.

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CSO: 4006/592

NATIONAL AFFAIRS, POLICY

JINGJI RIBAO ON MAINTAINING FINANCIAL BALANCE

HK290556 Beijing JINGJI RIBAO in Chinese 18 Apr 87 p 3

[Article by Wang Yaping (3769 0068 1627): "Readjust Financial Expenditures, Increase State Revenues--A Suggestion on Balancing Financial Revenues and Expenditures"]

[Text] There was a deficit in the state's 1986 financial revenues and expenditures. The economic situation is such that the macroeconomic policy must continue to lay particular stress on curbing the total social demand, and to give prominence to key targets aimed at promoting stable economy and balanced development. To maintain a balance between financial revenues and expenditures, in view of the fact that a problem of scattered financial resources has arisen since the economic structural reform, some people suggest that the proportion of the state financial incomes in the distribution of national income be increased. It is imperative to do so. However, since the implementation of the system of "serving meals to different diners from different posts" and replacing profits with taxes in the second step, independent economic interests of localities and enterprises have been strengthened. Taking into account the existing financial resources and the fact that economic results have not yet been considerably raised to a certain level, enhancing the level of centralization the state revenue will inevitably harm the interests of localities and enterprises, conflict with the measures for reform, which are being implemented, or even run counter to the original intention of reform. This method is not desirable.

We are now facing two difficult problems: If we fail to increase the proportion of the state financial income, it will be difficult for the state financial resources to bear the financial burden; but the scope for increasing the proportion the state financial increases is limited. It is undesirable to adopt this method. We should understand that dispersing financial power is the demand for reform. The present conflict lies in the fact that state revenues have dropped, but expenditures have not yet been accordingly readjusted. The so-called higher or lower proportion of the state financial incomes is connected only with the expenditures which can be afforded by the financial capacity of the state. There is no invariable quantitative limit in this regard. In accordance with the corresponding relations between the state financial revenues and the expenditures within the state's financial

capacity. The balance between revenues and expenditures should be based on the level of centralization of the state financial capacity and the task to be undertaken by the state. As far as short-term countermeasures are concerned, our emphasis must be placed on readjusting financial expenditures, and lightening financial burden. As far as long-term countermeasures are concerned, the proportion of the state financial incomes should be raised.

1. Financial revenues should be increased. The key to easing the strain on the balance between revenues and expenditure lies in enhancing economic results. To do so, maintaining proper economic growth rate is a necessary condition. Under the condition of the existing technical progress, if the growth rate is too low, various kinds of expenses will increase, and benefits will inevitably be reduced. In the near future, we should regard a proper economic growth rate as a base for increasing financial revenues, and for preventing a drop in economic growth rate. A drop in economic growth rate will reduce financial revenues. From a long-term view, we should make use of various kinds of economic levers to expand the "projects which are badly needed" to increase the capacity for social supplies, and maintain stable growth of the national economy.

A guarantee in terms of system is needed for increasing financial revenues. With regard to the relations of distribution between the state and enterprises, the method of repaying bank loans before paying tax is detrimental not only to the stable growth of financial revenues, but also to arousing the enthusiasm of enterprises in self-accumulation of funds, and the improvement of investment benefits. We should properly increase the proportion of repaying bank loans after paying tax until they are all repaid after tax. To increase the proportion of the financial incomes of the central authorities in the total financial revenues of the state, we should rely on the perfect management of financial budget, and block the way for increasing financial expenditures of the central authorities. The central financial department and local financial departments should work out their own budgets, and devise their own methods for final accounting of revenues and expenditures. Some special allocations of funds by the central authorities should be reduced, and proper control should be imposed on temporary subsidies for localities.

2. Financial expenditures should be readjusted. The general spirit to be followed in this regard is to reduce the scope of expenditures. The expenditures should be cut although they can be afforded by some enterprises and other quarters. Although we readjust the entire system covering the structure of financial expenditures, we do not mean equal reduction: administrative expenses should be reduced, but more financial investment in the fields of science, technology, and education should be maintained. While maintaining a proper proportion of the expenses on capital construction within the budget, our emphasis must be placed on opening up more revenues for the funds earmarked for key construction projects. The previous method of investment in key projects being solely made by the state should be changed. For example, the central financial department should invest in transregional projects and localities and enterprises should invest in some other projects. The

projects of the central authorities located at different localities can have jointly investment by the central authorities and the localities. After the completion of the projects, the localities should be vested with power for using the projects, or allocating and transferring the product. We should advocate the horizontal fusing of funds, and the practice of raising funds and becoming shareholders. After the completion of the projects, the benefits should be shared according to proportion. It should be pointed out that rational pricing structure, a healthy capital market and effective regulating mechanism are needed in order to divert funds not covered by budget to the projects and items badly needed by the state. A process is needed for the formation of these conditions. Therefore, a certain level of state should be maintained, and should no longer be reduced.

3. The proportion of the state incomes should be enhanced. In the long run, it is necessary to do so. This is because the effectiveness of the macroscopic control of the state is determined by the amount of the social financial capacity controlled by the state, and the ways for organizing financial resources. If we blindly cut expenditures with the reduction of revenues, the leading role of the state finance will be weakened, and its capacity for organizing economy will decline. Thus, it is difficult to give play to the superiority of the socialist planned commodity economy.

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NATIONAL AFFAIRS, POLICY

JINGJI RIBAO ON MANAGEMENT RESPONSIBILITY SYSTEM

HK290313 Beijing JINGJI RIBAO in Chinese 18 Apr 87 p 1

["Today's Forum": "Several Characteristics of the Contracted Management Responsibility System"]

[Text] Experience from different parts of the country has demonstrated that the contracted management responsibility system has in general the following characteristics:

1. Ownership is prominently separated from the power of operation. The contracted management responsibility system actually means that the relationship between the state and enterprises is clearly defined in the form of contract and the state hands over the power of operation to enterprises. During the contract period, enterprises can exercise the power of operation and the right to use properties to the fullest to create more profits; as long as they submit a certain portion of profits to the state, they can retain all the rest. In applying such a system, both directors and workers are clear about their targets in work, they closely combined responsibility, authority and benefit, and enterprises can develop as they wish and restrain themselves when necessary. This is the best way of arousing the enthusiasm of workers in work at the present time and attaining the aim of increasing production and practicing economy.
2. Enterprises involve more risk, but they can promote greater interest. They are under pressure, but they have motive force and are full of vigor. Since they have the initiative in their hands, they can attain their goal as long as they actively expand production.
3. The main body of investment gradually shifts to the side of enterprises, which have to accumulate investment funds through their own effort. When enterprises are forced to accumulate funds for their transformation and expansion, they certainly know careful calculation and strict budgeting and take the rate of return on investment into serious consideration.
4. The introduction of contracted management responsibility system fosters technological progress and helps readjust the structure of production and the product mix.

5. The introduction of the contracted management responsibility system helps enterprises tap their potential. When tasks are contracted, enterprises can hardly rely on the higher authorities and have to manage to fulfill the tasks stated in contracts by instituting and improving the system of internal financial responsibility. All this contributes to running enterprises with strict rules and regulations.

It must be noted that the contracted management responsibility system being introduced in different areas of our country has been improved by summing up experiences gained in the past few years. The system has to be further perfected and developed because it is still a new thing, but its advantages surpass its disadvantages if compared with other methods of business operation.

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PROVINCIAL AFFAIRS

LIAONING: LI CHANGCHUN GOVERNMENT WORK REPORT

SK020731 Shenyang LIAONING RIBAO in Chinese 13 Mar 87 pp 1-3

[Government work report delivered by Li Changchun, governor of Liaoning Province, at the sixth session of the Sixth Provincial People's Congress on 3 March]

[Text] Deputies:

Entrusted by the provincial people's government I now present a work report to the sixth session of the Sixth Provincial People's Congress for your examination and discussion.

1. A Review on the Work of 1986

The year 1986 was the first year of the Seventh 5-Year Plan, and also a year during which a new step forward was made in economic structural reform and the two civilizations. Over the past year, under the correct leadership of the Central Committee, the State Council, and the provincial party committee, we continued to implement the general policy of "enlivening the domestic economy and opening to the outside world;" conscientiously carried out the resolution of the fifth session of the Sixth Provincial People's Congress; adhered to the strategic ideology of reform, opening up, transformation, and development to rejuvenate Liaoning; adopted a series of policies and measures to facilitate reform in various fields; made ceaseless efforts to study ways to tackle the new situations and new problems that emerge in economic development; conquered serious floods; fairly successfully fulfilled the annual plan for economic and social development to enable the entire national economy to progress in a sustained, stable, and coordinated manner toward the goals set forth in the Seventh 5-Year Plan; further consolidated and developed the political situation of stability and unity; achieved new results on all fronts; and thus created a good beginning toward fulfillment of the Seventh 5-Year Plan.

The rural commodity economy developed in a stable manner. Despite serious disasters, we still reaped a fairly good harvest, with the annual grain output totaling 12.22 million tons, a 25.2-percent increase over the previous year. Following new developments in forestry, animal husbandry, sideline production, and fisheries, the total output of meat, eggs, milk, and fish increased. Township enterprises made fairly rapid progress, with their output value reaching 19.3 billion yuan, 35 percent more than in the previous year. The

agricultural output value was 9.65 billion yuan, a 10.3-percent growth over the previous year.

Industrial production grew in a sustained manner. Despite a situation in which investment in fixed assets was reduced, and funds, raw materials, and electricity were lacking, its growth rate increased every season, and there emerged a good trend in which light industry grew more than heavy industry, collective industries grew more than state-owned industries, and the proportion of good-quality products expanded. Industrial output value of the province totaled 79.14 billion yuan (including industries at and below the village level and private industries), an 8.8-percent increase over the previous year. The proportion between agriculture, light industry, and heavy industry became more rational; the pressure on energy resources and transport was relived; and production safety in enterprises showed further improvement.

Thanks to sustained, stable, and coordinated development of industrial and agricultural production, the total product of society of the province reached 121.5 billion yuan in 1986, a 9-percent growth over the previous year. Industrial and agricultural output value totaled 88.79 billion yuan, 1.8 percent greater than the annual plan, and 8.9 percent greater than the previous year. The national income reached 48 billion yuan, 10.3 percent more than the annual plan, and 8 percent more than the previous year.

The financial and monetary situation was fairly good. Despite an increase in factors to reduce revenues and increase expenditures totalling 1.3 billion yuan, revenues of the province reached 9.743 billion yuan, 5.5 percent more than the previous year. Credit receipts and payments of banks further expanded, savings deposits showed an increase of 5.6 billion yuan, or 25.3 percent over the previous year, and credit loans of various categories rose by 11.27 billion yuan, or 32.6 percent. Lateral movement of capital totalled 8.76 billion yuan, which effectively supported production and construction.

Domestic and foreign trade became more vigorous. The channels for commodity circulation increased, collective and private commerce achieved new development, and purchasing and marketing forms became multifarious. The total retail sales of commodities reached 26.6 billion yuan, 15 percent more than the previous year. Import and export trade expanded continuously. The purchasing volume of export commodities was 6.62 billion yuan, a 47.6-percent growth over the previous year, foreign exchange earnings from exports (excluding petroleum) reached \$11.7 [as published, presumably \$1.17 billion], an increase of 30 percent, and the transactions on foreign capital utilization and technology imports totaled \$700 million, of which direct foreign capital utilization was \$430 million, a growth of 50.9 percent.

The people's living standards further improved. A total of 291,000 people found jobs in urban areas throughout the province. According to a sample survey, the per-capita cost-of-living income of urban residents was 820 yuan, and the per-capita net income of peasants was 533 yuan, an increase of 14.9 and 5.2 percent, respectively, over the previous year if adjusted for price rises.

The total amount of urban and rural savings deposits reached 14.06 billion yuan, up 39.3 percent over the previous year, the highest record since the founding of the PRC. A total of 9.25 million square meters of new residential houses in cities and towns were built, an increase of 25 percent over the previous year. A number of major resources and supporting projects went into production, thus helping to remarkably improve the water shortage situation in some cities. Further improvements were made in some urban construction facilities and ecological environmental situations, such as urban transportation, gas and heat supply, flood prevention, and public health.

We achieved new success in building a spiritual civilization. After studying and implementing the "resolution of the CPC Central Committee on the guiding principles of building a socialist spiritual civilization" in particular, we further clarified the strategic status and guiding principles for building a spiritual civilization. Leaders at all levels throughout the province and various departments further enhanced their awareness of building a spiritual civilization. Education on "ideals, morality, culture, and discipline" and on building civilized units, as well as the army-people joint activities in building a spiritual civilization were extensively carried out. We strengthened socialist democracy and the legal system, deepened the work of popularizing legal knowledge, and succeeded in steadily improving social security. Encouraging achievements were made in science, technology, and education during the course of reform, and the training of competent personnel, as well as intellectual development, progressed remarkably. We also achieved new developments in such undertakings as literature and the arts, radio and television, the press, and publications and libraries, cultural centers, and museums. We continued to improve the people's medical and public health conditions. We achieved remarkable success in mass and professional sports activities, further strengthened family planning work, and succeeded in controlling the natural population growth rate at 10.5 per thousand.

New achievements were made on all fronts, including civil administration, foreign affairs, overseas Chinese affairs, tourism, nationalities, people's air defense, and militia fronts, which contributed greatly to building the two civilizations.

Reviewing 1986, the provincial government grasped the following major tasks in line with the basic guidelines for economic and social development during the Seventh 5-Year Plan period and the fighting objectives and strategic emphasis:

- 1) We further changed the guidelines for economic work and enhanced our awareness of reform.

Last year, under the leadership of the provincial party committee, by conducting intensive investigations and study at the grassroots levels, summing up experiences and lessons in economic structural reform, which was once staggering, and finding out where we lagged behind by making comparisons with the advanced provinces (cities), we deeply realized that for various reasons, the leftist ideology and the old traditional ideas that could not cope with reform and opening up had exerted deep influence on our economy, the guidelines for economic work had not been completely shifted to the path for a planned

commodity economy, and they became a serious obstacle preventing our province from fully displaying its role in the modernizations drive. We further emancipated ideology, eliminated the leftist influence and the old traditional ideas, and fostered new ideas to cope with the development of the planned commodity economy. These became the most pressing and important task that faced our leaders at all levels. Since the second half of last year, we have held meetings on several occasions, including the rural reform study meeting, a meeting of provincial-level organs to discuss principles and ideological guidelines for economic structural reform, and the on-the-spot experience exchange meeting on the urban economic structural reform, and adopted measures such as sending study and observation teams to other provinces and rotationally training leading cadres of provincial-level departments and bureaus and city-level organs, to enable cadres at all levels to deeply understand the socialist planned commodity economy; and enhanced their awareness of reform and opening to the outside world. This obviously changed their ideology and concepts and laid an ideological foundation for making reform, opening up, and the modernizations drive successful.

2) We continued toward developing economic structural reform with a focus on invigorating enterprises.

During the past year, we always persisted in giving priority to developing economic structural reform, conscientiously implemented the eight-character policy of "consolidation, assimilation, supplement, and improvement," reaffirmed and improved a series of policies and regulations to encourage, support, and protect reform, and adopted practical measures to promote the deep development of economic structural reform. At present, the province's urban economic structural reform has been expanded from individual pilot work to large-scale experiments, from the reform of the enterprise management system to the reform of operational forms, and from enterprises reform to the reform of market mechanism and the social environment.

We paid attention to subsidiary reform to invigorate the economy. More than 2,500 enterprises experimented with the plant director (manager) responsibility system, some of which also tried out the system of plant director being responsible for fulfilling assigned targets within the term of office and the auditing system on economic responsibility within the term of office. These enterprises also instituted the labor contract system, thus taking an important step in labor system reform. The various forms of the economic contract responsibility system became better and better. Some enterprises also tried out the shareholding system, the leasing system, the system of being responsible for the management of assets, the assets auction and transfer system, and the bankruptcy system, thus creating a new path for invigorating enterprises.

The lateral economic associations developed extensively. The number of various forms of economic associations has developed to 1,600 or more and a number of large enterprise groups with strong competitiveness emerged across the province. The pace of associations between scientific research departments and production units accelerated remarkably, thus promoting the direct transfer of technical achievements to productive force. With the development of lateral economic associations, we have begun to break with the situation in which barrers exist between different departments or regions, and between

the urban and rural areas, and with the departmental blockade and separation between the military industry and civilian industry.

We developed markets for production factors to meet the demands of the socialist planned commodity economy. The market for means of production and the scientific and technological market became brisker and brisker; the experimental labor markets expanded gradually; and the banking market, particularly the short-term fund market in Shenyang, Dalian, and Dandong developed greatly. The money lending and bill discount among banks developed generally; enterprise and bank bonds were issued in a planned way; the bonds exchange and transfer businesses were initiated; and the urban credit cooperatives, trust, and investment companies and other new banking organizations were initiated, thus improving the external environment for autonomy and equal competition among enterprises.

The provincial government continued to delegate powers to lower levels, put some enterprises under lower administrative levels, and explore new management methods, thus creating conditions for giving greater play to the role of central cities and invigorating enterprises.

3) We paid attention to technological transformation and the construction of key projects.

Over the past year, we treated the technological transformation and construction of key projects as an important way to call forth the vigor of old industrial bases and invigorate Liaoning's economy. In line with the Seventh 5-Year Plan, we defined the key points of technological transformation, strengthened the feasibility study, stepped up preparations for construction projects, defined the supply of funds, adopted a series of reform measures, and satisfactorily fulfilled the annual plans for technological transformation and construction of projects, thus gaining momentum for the province's economic development.

The pace of technological transformation was accelerated remarkably. The state-owned enterprises in the province made a total of 6.32 billion yuan of investment in technological transformation, a 47-percent increase over the previous year. More than 100 key technological transformation projects, each with an investment of 10 million yuan, were carried out, and 28 key technological transformation projects were completed and put into production. Technological transformation has helped the province accelerate equipment renewal, raise the technological level, expand production ability, and increase economic results. In 1986, the province added 960 million yuan to its profits and taxes through technological transformation.

The investment structure in capital construction was readjusted. The proportion of investment in productive projects rose; the proportion of investment in the energy, transport, and raw materials industries went up; the urban basic facilities and investment environment improved somewhat; and construction of those key projects that have a bearing on the province's economic development proceeded rapidly. The No. 4 generating unit of the Jinzhou Power Plant was fed into the power grid; the Taipingwan Hydropower Station was completed and put into production; the coal wharf of the Bayuquan Port in

Yinkou was made available on a trial basis; the Shenyang-Anshan section of the Shenyang-Dalian first-class highway was formally opened to traffic; the Chengzhuang Railway was made available; construction of the Dalian's Heshangdao Power Plant, the Dandong's Dadong Harbor, and the Jinzhou Harbor was begun one after another; foundation stone-laying ceremonies were held for Shenyang's Taoxian Airport and the new north railway station; preparations were being made for the first-stage project of the Guanying reservoir and the Panjin ethylene project; negotiations with foreigners on building the Fushun ethylene project took place; and the first-stage preparations for expanding and rebuilding the Anshan and Benxi iron and steel companies began.

4) We enhanced the work of enforcing the policy of opening to the outside world and earning foreign exchange through exports.

Enforcing the policy of opening to the outside world represents a strategic measure for making Liaoning prosperous. Since the beginning of 1986, we have conducted investigation and study concerning the development of the export-oriented economy, defined the work tasks of enforcing the policy of opening to the outside world and developing the economy and trades, and formulated measures for implementing the policies concerned, resulting in changing the province's economy from a closed one to an export-oriented one. To enhance the capability of earning foreign exchange through exports, some cities and counties began to readjust their production structure in line with the "trade-industry-agriculture" pattern, paid attention to the production of commodities enjoying brisk sales in the international markets, and made all-out efforts to conduct precise and intensive processing of products and to upgrade their value. The pace of building export bases was accelerated. At present, the province has 178 specialized plants and bases in charge of producing export commodities, and whose economic result and capability of earning foreign exchange respectively is higher and stronger than before. New development in signing contracts with foreign countries on construction projects and labor service was made.

The scope of utilizing foreign capital was expanded, and the climate and conditions for foreign investments were further improved. After the issuance of the State Council's policy on foreign investments, our province again formulated 14 articles in the policy concerning preferential treatment for foreign investments and the further enhancement of the policy of opening to the outside world, which were greatly welcomed by foreign businessmen. The Dalian economic and technical development zone basically possessed the conditions for both foreign and domestic investments and shifted its work emphasis to production and construction. At the end of 1986, it drew 500 million yuan of foreign capital and directly introduced \$36 million. By using these foreign investments, 10 projects were completely built and put into production or operation. The basic facilities for enforcing the policy of opening to the outside world in the cities on the Liaoning peninsula, including Yingkou and Dandong, were better improved.

5) We deepened the drive to conduct reforms in the rural areas and accelerated the pace of developing the "three Liaos" areas and helping the poor become wealthy.

On the basis of continuously improving the first-stage reforms in the rural areas, we earnestly implemented the spirit of the central No. 1 document, increased investment in agriculture through deepening the second-stage reforms in the rural areas, enforced the policy on giving preferential treatment to grain production, actively readjusted the production structure, and vigorously developed a diversified economy and town enterprises to enable the rural commodity economy to become unprecedentedly brisk. Meanwhile, in line with the general arrangement of the Seventh 5-Year Plan and the principle of enhancing guidance according to different categories, efforts were made to mobilize and organize all forces throughout the province to accelerate the pace of developing and building the mountainous areas in eastern Liaoning, the poor areas in western Liaoning, and the key grain bases in northern Liaoning ("three Liaos" areas). During the April-May period of 1986, the province organized more than 200 cadres of provincial-level organs into work groups headed by leading comrades to go to the "three Liaos" areas to carry out investigation and study. Following their activities, the province made a decision on accelerating the pace of developing or building these areas. During the July-August period of 1986, the province successively held its on-the-spot official meetings in the cities of Fuxin, Chaoyang, Tieling, and Fushun, at which the province defined the guiding principle, working target and tasks, and policy measures for developing or building these cities and helping the poor become wealthy. The province also dispatched almost 1,000 cadres from the organs and scientific and technological personnel to the "three Liaos" areas to help the grassroots level units carry out their work and further obtain training or improve their work quality through practice. Meanwhile, the province decided to encourage the cities of Shenyang, Dalian, and Anshan respectively to establish economic and technical coordination in similar industries and trades with the cities of Tieling, Chaoyang, and Fuxin to develop lateral economic associations among these cities and to help the "three Liaos" areas achieve successful development and construction. Some departments and units under the provincial-level organs also successively formulated the policy on preferential treatment and concrete measures for supporting the "three Liaos" areas to achieve development and enhanced their guiding work over various industries and trades. Cities and counties in the "three Liaos" areas also mobilized and organized the cadres of organs, enterprises, and establishments to go deep into the rural areas to further fulfill the tasks of developing or building these areas and of helping the poor become wealthy. Of the 100,000 poor households that received subsidies in 1986, 40,000 households improved in varying degrees their backward conditions.

6) We vigorously grasped the work of combating the flood, rushing to deal with the emergency, and conducting disaster relief, and attention was paid to make arrangements for the people's livelihood.

After the serious flood in 1985, our province earnestly summed up the experience and lessons gained in "suffering losses from failing to tame the Liao He" and regarded the work of taming the Liao He as a strategic task that was put into the Seventh 5-Year Plan. In 1986 the financial departments at all levels invested more than 451 million yuan in the construction of water conservancy works and concentrated their forces on repairing the facilities destroyed by the flood and taming the trunk tributaries of the Liao He, resulting in an increase in the river's capability of holding back floodwater. All

localities made full preparations for ideological, organizational, and engineering work before the flood season. This laid a good foundation for conquering the flood and waterlogging disasters. During the high flood season, all localities regarded antiflood and rescue work as a task of urgent importance and rushed to organize the vast number of cadres and people to wage a tenacious struggle against the flood and waterlogging disasters. Particularly, the PLA made great contributions to our province's antiflood and rescue work by going to each and every dangerous place. With the concerted efforts of armymen and civilians, the province made great successes in the antiflood and rescue work and ensured that no dikes of major rivers were breached under the circumstances in which the total flood volume of the Liao He main streams surpassed the 1985 figure of over 200 million cubic meters. However, the flood and waterlogging disasters still brought about serious losses to the province's production and construction. A large stretch of farmland was covered with sand. Many houses were inundated and collapsed. A large number of fruit trees and forests were destroyed. Some water conservancy facilities were damaged. Traffic and communications service in many localities were suspended. The people's lives and property suffered losses. After the floods, the people from higher to lower levels throughout the province concentrated efforts on the antiflood and rescue work and collected large amounts of materials, goods, and capital to help the disaster-stricken people arrange livelihood, restore production, and rebuild their homeland. At present, the people in the disaster-stricken areas are in calm and undisturbed and are full of enthusiasm for developing production.

While arranging the livelihood of disaster-stricken people, we paid attention to making good arrangements for urban and rural markets. The situation of supplies of such major farm and sideline products as grain, edible oil, meat, vegetables, and fruits which the people generally showed concern for was better than that of the previous year. Despite the serious disasters of last year, the grain market was comparatively stable, the supply of flour and rice for urban residents increased, pork prices were stable, the volume of fresh meat on the market increased, the quality of vegetables was upgraded, and the total level of purchasing and marketing prices dropped from 1985. There was an ample supply of various industrial goods. The people's demands for their daily necessities were basically satisfied. We may say that both urban and rural markets were brisk. While striving to enliven the markets, we also firmly grasped supervision, investigation, and management of goods prices. By so doing, many extremely unreasonable prices were readjusted. Various management forms of guidance prices such as introducing ceiling prices or protective prices on commodities, including vegetables, which were closely related to the people's livelihood, were introduced, and the price index control responsibility system was set up and perfected, thus protecting the interests of both consumers and producers. The province's average growth rate of the retail sales price index did not surpass the state fixed control target last year.

7) We firmly grasped scientific and technological progress and cultivation of skilled persons.

Through conducting scientific and technological and educational restructuring in line with the guiding ideology that science, technology, and education must service economic construction and economic construction must be carried out in reliance on science, technology and education, the intellectual development and the cultivation of skilled persons were accelerated. We effectively made explorations and accumulated beneficial experiences in reforming the system of allocations for science and technology, pioneering the technology market, intensifying enterprises' capability of technological assimilation and development, conducting trial reform of the leadership system of scientific research institutions, and promoting cooperation between production and scientific research units. Through spreading and applying advanced science and technologies on a large scale, the province scored more than 2,700 scientific and technological achievements. Of this, more than 50 percent were popularized and applied. New progress was made in conducting scientific and technological research and soft scientific research and in carrying out the system of inviting and appointing technological personnel on a trial basis. The province also made notable achievements in enthusiastically carrying out the "spark plan" and the plan of building up 100 model scientific and technological villages, 20 model scientific and technological townships, and 3 model scientific and technological counties throughout the province and organizing scientific research units and scientific and educational personnel to go deep into the rural areas, particularly into impoverished areas, to help carry out scientific and technological contracts, rely on science and technology to support the poor, popularize agricultural science and technologies, and cultivate skilled persons. More than 15,000 technological contracts were signed through scientific and technological markets. The total transaction volume increased by a large margin.

Ordinary education was strengthened and the program on making the 9-year compulsory education was formulated. The secondary educational structure tended to be reasonable and the scale of development of vocational middle schools, secondary specialized schools, and technical schools was further expanded. The enrollment in these schools accounted for more than 55 percent of the total enrollment in senior high schools. Thus, the province prefilled the development target set forth in the Seventh 5-Year Plan. Through tapping the potential of old schools, readjusting the specialized educational structure, and opening specialized courses which were urgently needed, the scale of cultivating teachers with specialized knowledge for vocational senior high schools was expanded. The management of adult education was strengthened and new development was made in preschool education, education for the minorities, and education for the handicapped.

8) We strengthened democracy and the legal system persistently, thus consolidating and developing the political situation of stability and unity.

Adhering to the strategic idea of "grasping development with one hand and grasping the legal system with the other," we drafted some local rules and regulations based on the Constitution and law, such as those on mineral resources management, forestry, road management, and cultural market management, and put them into effect with the approval of the provincial people's Congress Standing Committee, thus making new progress in administering

the economy and other undertakings by means of the law. We conducted extensive education in the knowledge on laws, such as the "Constitution," the "Criminal Law," the "General Principles of Civil Codes," and the "Regulations on Public Security Management and Punishment," to enable the masses of cadres and people to enhance their sense of legality and citizenship. With the close coordination of relevant departments, public security and judicial organs of various localities organized regional acts to track down and arrest people guilty of hooliganism, rape, theft, and other serious crimes in a concentrated and timely manner; waged struggles against gambling and theft, which were conspicuous problems in public security; strengthened control over the places where criminals carried out activities and thus achieved notable results in checking prostitution and dissemination of pornographic goods, and other ugly phenomena; and continued dealing strict blows to serious economic and other crimes to facilitate a stable improvement in public security, social order, and social conduct in the urban and rural areas.

We intensified efforts to raise the economic and cultural levels of the areas of minority nationalities and further implemented the "Law on Regional National Autonomy" to promote unity among nationalities. We strengthened the militia building and reserve forces; made proper arrangements to place the soldiers transferred to civilian jobs, retired cadres, and army men; and improved the work to support the army and give preferential treatment to families of revolutionary army men and martyrs, thus maintaining closer ties between the army and the government, and between the army and the people.

In the situation of social stability, in which the people of various nationalities from various circles, the army and the government, and the army and the people united as one to work for socialist modernization, stability and unity were maintained in our province thanks to the thoroughgoing and painstaking work of various fields, although the student unrest affecting many cities in the country at the end of last year also appeared in our province.

In short, fairly good achievements were scored in the work in various fields throughout the province in 1986. This was the result of the hard work of the cadres at various levels and the people of various nationalities throughout the province with the guidance of the correct principles and policies of the Party Central Committee; the close unity and cooperation of the comrades of new and old leading bodies; the concerted efforts and active support of the provincial CPPCC Committee and various democratic parties, people's organizations, and patriotic personages of various circles under the supervision of the provincial people's congress according to the law; and the great support and close coordination of the PLA commanders and soldiers stationed in Liaoning and the central units stationed in Shenyang. On behalf of the provincial people's government, I now extend my heartfelt gratitude to the masses of commanders and soldiers of the PLA units stationed in Liaoning and my highest respect to the workers, peasants, intellectuals and cadres working on all fronts, and the patriotic personages from various circles.

Deputies! When reviewing the work of 1986, we deeply felt that some problems still existed in the government work. Major manifestations were the following: First, the economic structural reform vacillated for some time; many enterprises

failed to earnestly fulfill the economic responsibility contracts earlier last year, which prevented directors from exercising their powers; and the coordinated wage reform did not fully reflect the principle of distribution according to work, which dampened the enthusiasm of operators and producers to a certain degree. This showed that our sense of reform was not strong enough; our understanding of the arduousness and complexity of reform, opening to the outside world, and enlivening the domestic economy was not adequate; and our ability to deal with the new problems in reform with reform measures and to proceed from reality in carrying out work in a creative manner was not good. In particular, the province failed to achieve a major breakthrough in invigorating large and medium-sized enterprises and lacked systematic investigations and study, and scientific summing-up and popularization of the good experiences gained by grassroots units. Generally speaking, the economy of our province was not vigorous enough. Second, economic results were not ideal enough, the serious overstocking of enterprises' products withheld the increased amount of funds from circulation, and the fairly large numbers of loss-making enterprises and deficits affected revenues. This reflected our ineffective work to lead enterprises in changing concepts and readjusting product mix with the purpose of improving economic results, thus making them unable to cope with changes and suit the changes in market demands.

Third, agriculture lacked a good material and technological basis and sufficient momentum. Last year, although we markedly increased agricultural input, we still lagged far behind the practical demands. We failed to give effective leadership to agriculture in particular, and some of the policies and measures were far from being well implemented. All these problems merit our full attention. Fourth, we had weak concepts of arduous struggle, hard work, and thrift. Our financial expenditures were too big; the expenditures for non-productive business increased fairly rapidly; the trends of going in for ostentation and extravagance and spending lavishly began to emerge; the operational management in the production, construction, and circulation spheres was ineffective; and the losses and waste were serious. Fifth, the development of urban infrastructures, the construction of residential houses in cities and towns and in the tertiary industry lagged far behind the demands, urban market management and price supervision and inspection work were not fully carried out in some localities, and problems concerning the people's livelihood remained unresolved. Sixth, the work style of organs failed to completely meet the demands of reform, opening to the outside world, and invigorating the economy; the problems concerning overstaffing and too many meetings and documents were rather serious; and all the arranged work was not well supervised and inspected. Seventh, some weak links still existed in our ideological and political work. We failed to have a keen sense of the ideological trend and influence of bourgeois liberalism and failed to criticize and resist them with a clear-cut stand. In face of some problems, we behaved very weakly. Some places including some higher educational institutes were affected by the ideological trend of bourgeois liberalism. These problems must be solved realistically in the coming year.

2. The Main Tasks for 1987

The year 1987 is the second year of the Seventh 5-Year Plan. The Party Central Committee and the State Council have decided to concentrate efforts on grasping two major matters this year: In the political and ideological spheres, we should oppose bourgeois liberalism with a clear-cut stand; and in the economic sphere, we should deeply launch the campaign on increasing production and practicing economy and on increasing revenues and reducing expenditures. The national meeting of governors has called for compressing the atmosphere in the economic field and building the national economy on the basis of long-term and steady development. The various tasks that face us are very arduous and complicated. Along with the implementation of the guidelines of the national meeting of governors in particular, the development of the economic situation, and the deepening of economic structural reform, many new situations and problems have emerged in our economic work. The 2 successive years of floods and water-logging and the poor financial revenues of last year have also created certain difficulties in the province's economic and social development. In our present economic lives, there are some unstable factors. Meanwhile, the rapid development in the domestic and foreign economy and the increasingly acute competition among regions will also make us face a series of new challenges. For this, we must be sober-minded, clearly understand the situation, boost our work enthusiasm, scale heights, and greet the new challenges with a new attitude.

During this year, we should continue to implement the line, principles, and policies defined since the 3d Plenary Session of the 11th Party Central Committee; unswervingly uphold the four cardinal principles and oppose bourgeois liberalism; firmly persist in reform, opening to the outside world, and invigorate the economy; and extensively launch a campaign on increasing production and practicing economy with "tapping potential, rising to a higher level, opposing waste, and increasing efficiency" as the major tasks. In line with the general demands of the campaign and the fighting objectives of the province's Seventh 5-Year Plan, we should conscientiously grasp the four major points of agriculture, technological transformation, energy and transportation, and scientific and technological education, and the two links of increasing foreign exchange through exports and raising economic results; further emancipate our minds in developing the socialist planned commodity economy; be bold in reform and blazing new trails; and be quick in opening to the outside world and invigorating the economy. We should make new progress in invigorating large and medium-sized enterprises and accelerating the development of Liaodong peninsula in particular; stimulate the development of the "eastern, western, and northern parts of Liaoning"; speed up urban and rural economic integration; and promote a sustained, steady, and coordinated economy development in the province. In the course of building the socialist material civilization, we should vigorously build the socialist spiritual civilization to further consolidate and develop political stability and unity and to greet the successful convocation of the 13th Party Congress with new achievements in reform, opening up and economic invigoration, and in building the two civilizations.

1) We should extensively and penetratingly launch the campaign of increasing production and practicing economy and increasing revenues and cutting expenditures to promote the sustained, steady, and coordinated development of the national economy.

Increasing production and practicing economy, and increasing revenues and cutting expenditures are an important principle for carrying out the modernization drive and for ensuring a protracted and stable development of the national economy. We should always notice that ours is a developing country with a big population and poor economic conditions. To carry out the socialist modernization drive in such a country, we must depend on the spirit of plain living and hard struggle and building up the country through thrift and hard work. On no account should we blindly pursue high consumption, still less should we indulge in extravagance and waste. Even when we become relatively well-off several years later through hard work, we should still do everything through thrift and hard work. This year we should effect a change in the guiding ideology for economic work--changing from the past practices of concentrating on capital construction and expanding the production scale alone and indulging in extravagance and waste to the practice of building up the country through thrift and hard work. We should extensively and penetratingly conduct the campaign of increasing production and practicing economy and increasing revenues and expenditures, with stress on "tapping potential, raising the level, opposing waste, and raising efficiency" in order to increase economic results in a comprehensive manner and promote the sustained, stable, and coordinated development of the national economy.

The campaign of increasing production and practicing economy and increasing revenues and cutting expenditures is not only a campaign in which all the people are involved but also the central task of this year's economic work. Agriculture, industry and communications, capital construction, finance and trade, science and technology, culture and education, and politics and law fronts, as well as various professions and trades, and various organs and groups throughout the province should all regard the campaign as an important content of building the material and spiritual civilizations. We should mobilize the vast number of cadres and masses to respond to the calls of Party Central Committee and the State Council and to take an active part in this campaign in an effort to form a fine atmosphere in which it is praiseworthy to increase production and practice economy and shameful to incur losses and waste. We should give wide publicity to the great significance of this campaign under the situation of reform and opening up so that the vast number of cadres and masses will fully understand that this campaign will not only promote the development of productivity and provide economic construction with still more financial and material resources, but will also ensure the smooth progress of reform and open policy. At the same time, reform and the opening up will also further promote in-depth progress of the campaign. Reform and the opening up themselves are an important way of this campaign. Therefore, we should increase production and practice economy and increase revenues and cut expenditures in every field in order to organically link the work in every field. We should actively study and explore new content and new methods of this campaign and stress actual results. We should avoid formalism and doing superficial and ostentatious things in order to launch this campaign in a down-to-earth manner. We should actually formulate fighting goals and specific tasks for the work of increasing production and practicing economy and increasing revenues and cutting expenditures; assign these goals and tasks to each workshop, section, group, and individual; and mobilize the vast number of cadres and the masses to conscientiously fulfill these goals and tasks. The work of

increasing production and practicing economy and increasing revenues and cutting expenditures must be centered on the improvement of economic results and be focused on increasing the production of readily marketable products; on improving the quality of products; on importing, mastering, and applying advanced sciences and technologies; on developing and producing new products; on lowering materials consumption; and on curtailing losses and waste. This year the total industrial output value should increase by 6.6 percent over the previous year; the total agricultural output value, 5.7 percent; the total industrial and agricultural output value, 6.5 percent; and the national income, 6.7 percent. We should effect simultaneous increases in the profits and taxes handed by industrial enterprises over to the state and in the growth rate of production. The materials consumption should decline by 2 percent from 1986; administrative expenses of enterprises and workshops should decline by 10 percent; the turnover period of floating funds should be shortened by 3 percent; the deficit should decrease by 30 percent; the commercial circulation expenses should decline by 2 percent; the deficits from commercial circulation should decline by 20 percent; the cost of projects should decline by 5 to 7 percent on the premise of ensuring the quality of projects; and various financial expenditures should be curtailed by 10 percent. By doing so we can ensure the comprehensive fulfillment of the 1987 economic development plan.

Accelerating the readjustments of the production setup and product mix and increasing the production of readily marketable products are important ways to increase production and practice economy at present. We should do a good job in readjusting the structure of the light and textile, machinery, electronic, and other industries with a strategic viewpoint and the guidance of market changes. We should adopt all means possible to increase the production of brand-name quality goods and scarce products; organize well the production of energy, raw materials, and light industrial and textile goods; and increase the production, in particular, of the raw materials in short supply that are needed by light industry and of export goods. We should pay close attention to upgrading and updating products and increase their patterns and varieties to satisfy social demands in various fields. We should make the best use of economic levers, such as prices and credits, to stop the production of unsalable goods, encourage the increased production of good-quality goods, assess enterprises with their sales volumes and output value, and push enterprises to carry out their economic activities along the orbit of improving economic results. In the meantime, we should make good arrangements for communications and transport and do a good job in telecommunications service and production safety.

We should regard the improvement of the quality and properties of products as an important part of the campaign to increase production and practice economy. With a spirit of high responsibility to the state and consumers, all enterprises should foster a firm idea of putting quality and reputation in the first place, comprehensively strengthen quality control, actively adopt international standards, and establish a strict quality responsibility system in order to make their product quality stand the test of domestic and foreign markets and improve the reputation of their products and themselves. Sales of our products should be intensified, and new markets should be opened up to make the products of our province sold in more areas.

The operation and management of enterprises should be improved and strengthened. We should consider the improvement of management and the overall upgrading of enterprise qualities the central work of enterprise management. We should conscientiously work out plans for upgrading enterprise qualities, make active arrangements for their implementation, greatly advocate modern managerial systems, and make utmost efforts to reduce material consumption and administrative funds. We should establish strict energy and raw material conservation systems; improve the methods to award conservation; advocate the spirit of saving every penny among the masses; carry out extensive activities to save electricity, coal, oil, gas, water, and raw materials and to repair and utilize old or discarded things; and increase production and improve economic results through thrift.

We should resolutely curtail financial spending. Our leading organs and leading cadres should play an exemplary role; take the lead in carrying forward the spirit of plain living, arduous struggle, and building up the country and all undertakings through thrift and hard work; firmly overcome and correct the trends of ostentation, extravagant wining and dining, luxury and waste; and reduce inordinately high spending. We should strictly control the establishment of new organs, freeze their sizes, and take stock of and straighten out various nonpermanent organs. We should strictly enforce the system of fixed-quota outlay and curtail the public spending of administrative departments, enterprises, and establishments. We should bring the institutional purchases under strict control. This year, without approval, administrative departments and institutions are not permitted to buy cars and expensive office supplies and equipment. Various kinds of commendatory and appraisal meetings and ceremonies to mark the initiation and completion of projects should be strictly controlled. We should strictly enforce financial and economic discipline, strengthen auditorial supervision, stop all waste, strive to increase production, practice economy, increase revenues and reduce expenditures, and achieve a balance between revenues and expenditures.

While compressing the overheated economic activities and reducing financial spending, we should adopt positive measures to resolutely make a success of all the work that should be carried out or can be carried out through efforts.

2) We should greatly promote the economic structural reform and further invigorate enterprises.

We should conscientiously deepen the coordinated reforms of enterprises in line with the principle of "making overall designs for the coordinated reforms and carrying them out step by step according to established priorities," and coordinate and gradually push forward the reforms in the three fields of invigorating enterprises, improving the market mechanism, and establishing a macroeconomic management system with indirect control as the main.

Efforts should be made of regarding the reform of the managerial mechanism of enterprises as a work emphasis to deepen the drive to conduct reforms among the enterprises and to further reinforce the vigor of enterprises, particularly large and middle-sized enterprises. We should earnestly implement the spirit of the "Provisions" issued by the State Council on deepening the drive to

conduct reforms among the enterprises and to enhance their vigor and make all-out efforts to enliven the large and middle-sized enterprises. In line with the principle of separating business rights from ownership, the state-owned large and middle-sized enterprises should actively enforce the various responsibility systems. On the basis of having more low-level units conduct accounting or operate their business, efforts should be made to carry out the contract and leasing systems. We should select middle-sized enterprises which are capable of taking up the pilot work of enforcing the responsibility and leasing systems in managing their assets. New enterprises jointly opened through mutual funds of enterprises should generally enforce the shareholding system and efforts should be made to build these new enterprises into joint-shareholding ones combined with the state fund and funds raised by various social circles. The collectively-owned enterprises and the small state-owned enterprises whose management is same as the collectively-owned ones should gradually enforce the shareholding system to enable all workers to be shareholders. We should also enforce the leasing system and try to implement the bankruptcy law among the small state-owned enterprises and collectively-owned ones, particularly among the money-losing enterprises. Small commercial and service enterprises that suffer losses can be sold at reduced prices or sell their shares. Efforts should be made to enforce the plant director (manager) responsibility system in an overall way. Plants whose conditions meet should actively enforce the plant director responsibility system during the tenure of plant directors and the plant director economic audit system. Efforts should be made to vigorously simplify the inner structure of enterprises and to continuously improve the business mechanism of enterprises. We should improve the systems of wage scales and bonus distribution among the enterprises to realistically deal with the problem of egalitarianism and of "eating from the same pot." A good job should be done in further conducting reforms in labor systems and improving the contract system of labor service. We should accelerate the pace of changing the administrative companies into the economic entities of business and services as soon as possible and should examine or disband those that cannot be changed within the given date.

By emphasizing the work of building new-style enterprise groups, continuous efforts should be made to vigorously establish lateral economic cooperations. We should bring into full play the province's strong point of having many large and middle-sized enterprises and strong iron and steel, petrochemical, and building material industries, and actively encourage and support the large and middle-sized key enterprises throughout the country, which can exert influence, to take the lead in organizing a number of large enterprise groups in line with the principle of "exploiting strong points and avoiding shortcomings, being full of the business of various kinds, mutually enjoying interests and benefits, and achieving mutual development." Meanwhile, by aiming at the weak link in the development of the province's national economy, efforts should be made to develop economic cooperations with the tasks of dealing with the shortage of energy resources and of some raw materials and funds. Continuous efforts should be made to develop cooperations between scientific research and production and between military and civilian industries and to further develop cooperations among the urban enterprise groups and between urban and rural enterprises. We should also consolidate and develop economic ties established by the cities during the period of supporting the

"three Liaos" areas to achieve development and construction so as to accelerate the pace of achieving a unified step in developing the economy in both urban and rural areas. The provincial, city, and county level departments should formulate the policy on preferential treatment to attract more enterprises to establish cooperation and coordination in the fields of the economy, technology, funds, materials, and technical personnel.

By emphasizing money markets, efforts should be made to accelerate the pace of developing markets of major production factors and to gradually improve market systems. We should also open or improve in a planned manner long- or short-term money markets, develop various new monetary structures with enterprise characteristics, accelerate the pace of conducting the pilot work of having specialized banks follow the enterprise management, expand the insurance business, and should realistically enliven the money markets. Efforts should be made to raise funds, to successfully run the savings deposits of both urban and rural people, to bring loans under control, and to strengthen currency withdrawal. We should also further open the markets of means of production, actively establish or improve scientific and technical markets, and gradually establish labor markets. Continuous efforts should be made to expand the wholesale markets of consumer goods. To enliven the enterprises, we should create a fine external environment through improving the market system.

We should accelerate the pace of conducting reforms in macroeconomic control and readjustment. Efforts should be made to gradually shift the work emphasis of macroeconomic management to the task of chiefly applying the economic levers of policies, commodity prices, tax revenues, and credit loans; and to gradually set up macroeconomic managerial systems to ensure the healthy progress of various economic activities.

3) We should strive to increase grain production and comprehensively develop the rural commodity economy.

We should continue to implement the principle of not relaxing efforts in grain cultivation while diversifying the economy, deeply conduct rural reform, rationally readjust production set-up, strengthen agricultural momentum, strive to increase grain production by a large margin, and promote a sustained, steady, and coordinated development in the rural commodity economy.

Agriculture is the foundation of the national economy and grain is the agricultural foundation and the precondition for readjusting the production set-up. Grain production, whether good or bad, plays a decisive role in developing reform and construction. We should all the more strengthen leadership over agriculture from the strategic perspective because of the province's big industrial proportion and the large population, genuinely grasp grain production, and rely on the province's own efforts to solve grain problems. We should correctly handle the relations between developing grain production, and diversifying the economy, readjusting the agricultural production set-up, and developing grain production and other trades and professions, give top priority to grain production, and strive to combat natural disasters to reap a bumper harvest and to restore this year's grain production to the level of 14.25 million tons achieved in 1984. We should strictly control arbitrary

occupation of arable land, stabilize the grain field areas, ensure grain crops cultivation in areas suitable for grain production, combine grain production with diversified undertakings, and strive to raise per unit area yield. On the premise of ensuring a steady increase in grain production, we should actively develop cash crops and diversified undertakings. Governments at all levels should proceed from the actual situations in their own localities, actively guide peasants to comprehensively develop and utilize all natural resources, plant trees and fruits in suitable places, develop livestock breeding and fishery in places with favorable conditions, and coordinatedly develop grain production and the diversified economy. We should proceed with the strategic objectives of building a benign ecological environment in the agricultural sector and strengthening the material and technological foundation for agriculture, strive to increase input, persist in using industry to support agriculture, improve agricultural ecological conditions and production conditions, and improve water and soil erosion in an effort to strengthen agricultural momentum. This year, we should continue to harness the mainstream of Liaohe, reinforce dikes, harness rivers, eliminate river obstacles, repair projects damaged by floods, and ensure that all projects are up to the flood prevention standards. We should particularly strengthen the work of improving the waterlogging areas in the province's central and northern parts, and build in a planned manner a number of large and medium-sized projects to prevent floods and waterloggings, and to harness major middle-sized and small rivers. We should speed up the transformation of low-yield fields, strive to raise the standards for combating floods and waterloggings, and do a good job in building marketable grain bases. Further efforts should be made to strengthen the maintenance of the existing projects to combat floods and waterloggings, and better display the beneficial results of the projects through enterprise-like management. We should persist in the graded responsibility system in the province and among various cities, counties, and townships. The province should mainly be responsible for harnessing the mainstreams of major rivers and building large reservoirs. The projects to prevent waterloggings in medium-sized and small reservoirs and rivers and fields should be mainly undertaken by cities, counties, and townships. They should mobilize the masses to improve and build these projects. While building grain production bases, we should further build production bases for trees, grass, fruits, livestock, oil-bearing crops, and freshwater and seawater breeding, as well as vegetable and nonstaple food bases in the outskirts of large and medium-sized cities, actively develop cooperation among state farms and agricultural, industrial, and commercial enterprises, and promote a comprehensive development in agriculture, forestry, animal husbandry, sideline occupations, and fisheries. We should unceasingly strengthen the work on studying and popularizing science and technology in an effort to modernize farming, do a good job in weather forecast, make good arrangements for the production of chemical fertilizer, plastic sheetings for agricultural use, agricultural chemicals, and farm machines and instruments, actively help agriculture-oriented enterprises to speed up technological transformation, and better serve agriculture.

Continued efforts should be made to improve the grain purchase and marketing systems and further mobilize the enthusiasm of peasants. Through propaganda and education, we should make the peasants clearly understand their bounden

duties of fulfilling the grain purchasing contracts, and encourage them to fulfill them by all possible means. We should continue to enrich and improve the economic tasks for contract purchase, and link up grain with fertilizer, grain with oil-bearing crops, grain with money, and grain with grain fields. Localities with favorable conditions may integrate the production of grain with scarce commodities, and encourage peasants to sign purchasing contracts. Governments at all levels should conscientiously implement the stipulations of the State Council and the provincial government on giving fairly priced fertilizer or oil to grain sellers; should adopt effective measures to ensure the implementation of various policies; should encourage peasants to increase their input into the land and to conserve land fertility while doing farming work; and should incorporate the conservation of land fertility in the content of contracts in order to gradually improve land fertility. We should also continue to uphold the policy that the province is responsible for cities' grain and oil purchase and marketing, and should reduce the amount of grains sold at parity price in order to eliminate the situation of "eating from a common big pot" in grain marketing. To encourage grain production, preferential tax treatment should be given to town and township enterprises in the counties designated as commodity grain bases in order to enhance their ability of operating rural industrial enterprises to support agricultural production.

We should continue to readjust production structure by focusing on developing town and township enterprises; should promote division of industries and trades in the countryside; and should accelerate the specialization, intensive management, and socialization of the rural commodity economy. In developing town and township enterprises, we can draw much labor forces, transfer the land to skillful farmers, raise farming efficiency and mechanization level, and radically stabilize grain production. With relatively more large and medium-sized cities, large and medium-sized enterprises, institutions of higher learning, and scientific research units, and with relatively good natural conditions, our province has great potential for development and utilization of natural resources. Proceeding from the actual situation of various localities, we should make good use of our superiority, make good planning for development of town and township enterprises, attend to rational distribution, and accelerate the development of town and township enterprises. Through the drawing up of preferential policies, we should extensively organize lateral economic associations, and should develop a number of superior trades and new brand-name and special products with a strong competitiveness through the method of bringing along the countryside with cities and promoting cities with the countryside. We should also gradually set up an economic pattern which has local characteristics, is headed by major large, medium-sized, and small enterprises, is supplemented by the urban and rural collective economy, is linked by small rural towns, integrates large enterprises with medium-sized and small enterprises, and integrates high-level technologies with middle- and low-level technologies. Through the development of town and township enterprises, we should operate rural industrial enterprises to support agricultural production, strengthen the material and technological bases of agriculture, promote the intensive management of agriculture, enhance the self-development ability of the rural areas, raise agricultural productivity and economic efficiency by a large margin, and open a new path for the rural economic development which is suitable for the province's situation.

Beginning with the improvement of service, we should further perfect the township and village cooperative organizations, and implement the dual-level management system of integrating the scattered management with unified management. We should adhere to the principle of carrying out unified management where suitable and carrying out division of labor where appropriate; should pay attention to perfecting the collective sector of economy at the village level; should step up the strength of the collective sector of economy; and should further lighten the unreasonable burden on peasants. We should attend to the preproduction, midproduction, and postproduction services; should gradually form an extensive socialist pattern which is based on the household contracted businesses, specialized trades, and local service trades. By so doing, we can thoroughly improve the household output-related contracted responsibilities system. We should also pay attention to solving the new situations and new problems emerging in the rural reform.

With the focus on improving the contract system for agricultural and sideline products, we should further reform the exchange forms, and should gradually form a multilayer, multichannel, and multiform circulation system for the rural commodities. We should vigorously perfect the purchasing and marketing contract system, must sign contracts for the commodities which are covered by the state order quota, and these contracts must be honored strictly. The purchasing and marketing contract system should also be implemented among the commodities which are allowed to be sold freely on markets and restrictions on such commodities should be lifted on the prerequisite of ensuring the fulfillment of export targets. We should penetratingly carry out the rural circulation structural reform with the joint efforts of the state-owned enterprises, collectively-owned enterprises, and private businesses. Supply and marketing cooperatives at all levels should give full play to their role in dominating the rural commodity circulation, and should serve the development of the rural commodity production in various fields; the grassroots supply and marketing cooperatives and their branches can be leased or contracted to others; and a few supply and marketing cooperatives which are backward in management or located in out-of-the-way places can be sold out by changing their ownership after being discussed by the members' congresses. We should positively guide the peasants to enter the circulation sphere, should open new circulation channels, and should encourage and support the peasants to run various forms of private or cooperative circulation enterprises in order to enliven the rural commodity circulation.

We should strengthen the basic work for foreign economic relations and trade. We should enhance the training of the existing cadres in charge of foreign economic relations and trade to improve their political and professional competence, gradually establish a system for the cultivation of personnel with export knowledge and skills, and bring up as soon as possible a contingent of cadres capable of meeting the needs of foreign economic relations and trade. We should reinforce the economic information work to enable enterprises to master world market trends and adopt corresponding countermeasures. We should successfully carry out propaganda oriented to foreign countries, continuously improve the reputation of our province's enterprises in the world, and gradually make the province's foreign economic relations and trade take on a new look in the world market.

5) We should expedite technical transformation and successfully carry out key construction projects.

Our province is one of the state-designated key areas for technical transformation and capital construction during the Seventh 5-Year Plan period, and therefore its results in technical transformation and capital construction have a direct bearing on whether our province can gain momentum in its economy, and whether the old industrial base can regain its vigor. This year, the state-assigned scale of local capital construction and technical transformation showed a substantial increase over last year, and the tasks are very arduous.

In technical transformation, we should stick to high standards, give prominence to the transformation of key trades and key products, and renovate old equipment and methods with new technologies so as to make the economy of our province turn out more economic results and become export-oriented. We should combine technical transformation and technology imports with the joint technology research work and adoption of international standards, with the mastery and application of advanced technologies for the purpose of increasing the proportion of goods produced at home, and with cooperation in specialized production and promotion of lateral economic ties, so that economic results and social benefit can be further improved. We should study and formulate policy measures to encourage technical transformation, and give priority to arrangements for projects that can yield quicker and better results, that are capable of earning more foreign exchange, that are conducive to eliminating poverty and achieving prosperity, and that can promote the development of northern, western, and eastern Liaoning. We should establish a system under which persons are assigned to take the responsibility for technical transformation projects, so that responsibility and assessment methods are clearly defined for every project and link, and that the projects can be completed and commissioned on schedule without exceeding the designed investment and scale.

Controlling the scope of capital construction, and readjusting the investment structure are still the major work for this year's capital construction. Conscientiously implementing the guidelines of the national conference of governors, and the principle of "ensuring key, planned, and productive projects, and reducing ordinary, unplanned, and nonproductive projects," we should concentrate efforts to ensure the key energy, communications, agricultural capital construction, and technical transformation projects that have a bearing on the momentum of Liaoning's economic development, the urban infrastructural facilities in direct service to the opening of the Liaodong peninsula, and the construction of urban residential houses and primary and middle school classrooms. We should conscientiously take stock of other projects, suspend, postpone or close down some, and strictly control the construction of nonproductive projects, such as office buildings, auditoriums and hotels, and various "centers." Meanwhile, we should see to it that all work that can be carried out through efforts is completed. We should make sure that the Anshan-Dashiqiao section of the Shenyang-Dalian first-grade highway is opened to traffic within this year; the annual plans for the construction of Jinzhou Port, Dandong's Dadong Port, and the sundry goods wharf of Yingkou's Bayuquan Port, the improvement of Haicheng-Xiuyan railway, the dredging of the trunk stream of Liao He, the construction of Dalian's

Heshandao Power Plant and the second-phase project of the Jinzhou Power Plant, and the project of robot demonstration are fulfilled; Shenyang's Taoxian airport, new northern station and Guanying reservoir, and Panjin's ethylene project and sports facilities for the junior games are started at an early date; the prephase preparations for the expansion and renovation of Anshan and Benxi iron and steel companies, and Fushun's ethylene project are accelerated; the feasibility study of some key projects is stepped up; and more extra-quota key construction projects are built in our province.

We should strengthen management of the use of investment, further popularize the public bidding system in designing and construction, and change the situation in which some construction enterprises eat from the "common big pot" of building departments so as to improve the economic results. The investment responsibility system should be applied to all the projects with government allocations, and no extra investment will be allocated except when unforeseeable factors, such as raw material price difference and exchange rate changes, appear. With regard to planned capital construction and technical transformation projects, we should set clear construction speed demands, and shorten the construction periods as much as possible.

6) We should strengthen scientific and technological work and provide good service for invigorating Liaoning's economy.

We should firmly foster an idea of relying on science and technology to invigorate Liaoning's economy, and realistically build our province's economy on the basis of technological progress. We should conscientiously implement the relevant document guidelines of the State Council, and actively promote scientific and technological structural reform with an emphasis on relaxing control over scientific research organs, and policies concerning scientific personnel. Research institutes dealing with developmental projects should gradually join the enterprise groups or key enterprises. Some of them may be developed into centers for technical development for some trades or enterprises for producing technology commodities. We should properly speed up reform on the fund allocation system. We should complete the work of stopping to allocate working funds to developmental research units within 3 years so as to make them financially independent. The operating funds for other research units should be allocated on a contract basis or be given in the form of a fund. We should further develop multilayered and diversified forms of scientific research and production associations, and encourage scientific research institutes to contract township enterprises, money-losing enterprises, large specialized households, and the regional economy. We should adhere to the principle of encouraging the state, collective, and individuals to take part in the work, and implement diversified forms of operation in scientific research units.

We should gradually separate the ownership from the power of operation among state-owned scientific research organs, and deepen reform in scientific research institutes. We should also comprehensively implement the responsibility system among directors or deans of institutes, try out the system of fulfilling the targets during the term of office of the directors or deans, and the responsibility auditing system during their term of office, promote all forms

of the technological and economic contract responsibility system, and encourage the practice of allowing work groups to freely organize and contract their work tasks. Technology should be transferred on a paid basis and be put into operation at negotiated prices. Scientific research institutes that have joined the enterprise groups or enterprises or have been converted into technology commodity producing enterprises may enjoy support in terms of taxes and credit. As for those research institutes whose research operating funds have been cancelled, the starting point for levying workers' bonus taxes should be implemented according to the standards set for enterprises. The income of scientific researchers from their contract projects should be included in the cost of their projects and no bonus taxes should be calculated. Ineffectively-run research institutes may implement the leasing system.

We should further reform the scientific research personnel management system, and implement flexible policies among them. We should also gradually implement the system of employing specialized technical personnel, encourage retired technical personnel or those who have resigned or stopped receiving salaries while retaining their posts at cities, towns, or the countryside to contract or lease medium-sized or small enterprises, township enterprises for operation or to run all forms of technological development, technological service and technological trading organs, to establish all kinds of joint-stock companies and to sign contracts with major specialized households. It is necessary to exchange personnel on a well-guided and planned basis. Units that need personnel may employ scientific and technical personnel from scientific research units where competent persons are mostly concentrated. Governments and the competent departments at all levels should give them great support. Scientific and technical personnel who have resigned and worked in the rural areas, or in cities and town should be allowed to retain their urban household registrations. Their income should be managed by themselves. Scientific and technical personnel who have stopped receiving salaries while retaining their posts may receive an excellent pay. They should pay a certain amount of job insurance premium in line with stipulations.

We should organize forces to tackle scientific and technological projects, make full use of the superiority of the state of having many colleges and universities and scientific research units in our province, and organize the "five fields" of scientific and technological army to tackle technical problems and to develop technology with a focus on building the export-oriented economic zone in Liaodong peninsula, developing the "eastern, western, and northern parts of Liaoning," providing technology for the poor areas, and helping money-losing enterprises to end deficits and gain profits, and solving problems in economic and social development which urgently need solution. Meanwhile, we should pay attention to studying the world's new technology, trace advanced technology, formulate plans for developing advanced technology, apply the latest scientific and technological findings to industrial and agricultural production, render service to new industries, and strengthen the momentum for developing Liaoning's economy. We should expand the implementation of "spark plan," and the projects of building 100 scientific and technological demonstration villages, 20 scientific and technological demonstration townships, and 3 scientific and technological demonstration counties. The emphasis should be laid on developing the eastern mountainous areas, islands, and the shallow

seas and beaches along the coastal line, and the mining resources in the western areas, turn the superiority of natural resources into the commodity resources, actively develop mass science and technology popularization activities, actively popularize and apply research findings, strive to run technology market and hold transaction meeting to exchange scientific and technological findings, and import advanced and applicable domestic and foreign advanced research findings and equipment, conscientiously digest and absorb imported technology and create new ones, continue to raise production and technology level, and display the comprehensive and long-term efficiency of science and technology.

7) Continuously enliven the urban and rural markets and make good arrangements for the people's livelihood.

Along with the development of the commodity economy, the province will further improve the living standard of both the urban and rural people. Efforts should be made to meet the new change cropping up in consumption demand; to firmly conduct reforms in the systems of commodity circulation; to probe new commercial styles; to develop the channels of commodity circulation; to further improve the purchase and sale systems of grains, meat, and vegetables; and to continuously enhance the mechanism of market operations. A good job should be done in continuously organizing the purchase and supply of various commodities, particularly enhancing the purchase and supply of grains, meat, vegetables, and eggs. We should vigorously expand the rural markets and adopt various ways and means to supply industrial commodities to the rural areas to further enliven the rural markets. Efforts should be made to continuously bring into play the guiding role of the state-owned firms, grain departments, and supply and marketing cooperatives in commodity circulation, as well as the role of collectively owned firms and private business in this regard. Localities should establish the necessary systems for major commodities, such as grains, seed oil, meat, vegetables, and eggs that are closely related to the national economy and the people's livelihood, which are with regard to goods reserves, sale control in brisk seasons, and price and market control.

On the premise of maintaining basic stability in retail prices in 1987, the province will uphold the drive to conduct reforms in commodity price work and make stable progress in it. To strictly enforce price discipline, localities and departments should not readjust their prices without the approval of their higher authorities and should bring under strict control the scope and variety of products at free prices and enhance their management over the charge standard of noncommodities. A good job should be done in conducting guidance, management, and readjustment for commodities at free prices. The province's price index should be controlled within the target set forth by the state. Efforts should be made to further enhance leadership and supervision over the work of markets and prices and to punish in a timely manner those who have played tricks of price deception and seized the markets forcibly, or have interrupted market order.

We should show concern for the people's livelihood. Governments at all levels should do several practical deeds in a planned manner to the people according to the "several difficulties" cropping up in the people's livelihood. A good

job should be done in building the service network of commerce, vigorously developing the tertiary industry, opening new service avenues, and in upgrading service standards. Efforts should be made to vigorously accelerate the pace of building housing projects, to uphold the principle of integrating the work of building new houses with the task of rebuilding old residential areas, to gradually increase the work proportion of rebuilding the old residential areas, to build small residence areas with complete facilities and a fine environment, and to improve or upgrade the housing conditions of the people. In urban water supply, the province should actively open new water sources and curtail water consumption to ensure the saturation of water demands raised by production and livelihood. We should enforce scientific management over public traffic, goods transportation, and other basic utilities so as to increase the efficiency of their operation. We should show concern and take good care of the retired veteran cadres, staff members, and workers in line with the relevant provisions of the policy in order to enable them to better play their role and to live happily in their late years. The "three Liao" areas have a highly concentrated population of minority people and are apt to be plagued by disasters, in which there are a number of people who have not dealt with problems concerning clothing and food and there are some staff members and workers in the urban areas who have also encountered living difficulties. Therefore, governments should show great concern and help them and realistically make good arrangements for their livelihood.

8) Enhance the building of socialist spiritual civilization and oppose bourgeois liberalism.

We should correctly understand the strategic position of spiritual civilization construction from the high plane of the general arrangements for the program of building the socialist modernization. Our important task for enhancing the building of socialist spiritual civilization are to uphold the four cardinal principles and to wage struggle against bourgeois liberalism. The struggle against bourgeois liberalism can determine whether we have correctly upheld the line, principles, and policies set forth during the period since the 3d Plenary Session of the 11th CPC Central Committee and has a vital bearing on who will be the successors of our cause and on the fate of the party and country and the future of the socialist cause. We must fully discern the importance, arduousness, and protracted nature of the struggle, fully make mental preparations for the struggle, and realistically enhance leadership over the struggle. We should earnestly study and implement the spirit of the central documents concerned and the important speeches given by the central leading comrades; unite our thinking around the necessity of upholding the four cardinal principles; oppose bourgeois liberalism by taking a clear-cut stand; unswervingly implement the line, principles, and policies set forth during the period since the 3d Plenary Session of the 11th CPC Central Committee; and further consolidate and develop the excellent situation of stability and unity.

Judged from the overall viewpoint, the struggle to oppose bourgeois liberalism is education in upholding the four cardinal principles for the purpose of comprehensively and correctly understanding and implementing the line, principles, and policies adopted since the 3d Plenary Session of the 11th Party Central Committee. In carrying out this struggle, we should have a clear-cut stand and

resolute attitude, and also pay attention to policies and proper methods. At present we should organize the cadres and people in the political and ideological fields, and teachers and students of colleges and universities to penetratingly study and master the spirit of the relevant central documents so that they will enhance their understanding of the importance and protractedness of the struggle, criticize the erroneous speeches of Fang Lizhi, Wang Ruowang and Liu Binyan, representatives of those persons who advocate bourgeois liberalism, distinguish right from wrong in terms of fundamental political principles, uphold the correct political orientation, and increase their initiative and ability to resist and discern the influence of the ideological trend of bourgeois liberalism. We should persistently educate primary and middle school students and preschool children with patriotism, and educate college students with Marxist ideology and theory, and the current situation and tasks, and lead college students to participate vigorously in social practice to enhance understanding of the national situation and the actual situation in reform and construction of our country. We should uphold the socialist orientation for running schools, make a success of educational reform, implement the principles of orienting education to the needs of modernization, the world and the future, and of promoting the overall moral, intellectual, physical, aesthetic and labor development, and make sure that well-educated and self-disciplined persons with lofty ideals and moral integrity who are qualified for socialist modernization are brought up. We should take the initiative in opening up normal, regular, and varied channels for dialogues, give heed to the masses' criticism and suggestions on our work, and hold discussions on the issues they are concerned about so as to communicate ideas with them, promote mutual understanding and friendship, and create a good, democratic political atmosphere.

Our governments at all levels should earnestly implement the "CPC Central Committee's Resolution on the Guiding Principles for building the Socialist Spiritual Civilization," and the "Liaoning Provincial CPC Committee's Plan for Strengthening the building of the Socialist Spiritual Civilization," grasp the two civilizations simultaneously and persistently, enhance the people's sense of reform and opening to the outside world in line with practice, create good public opinion and social environment, and use the common ideal to mobilize and unite the people of various nationalities throughout the province to accelerate reform, opening to the outside world, and socialist modernization. We should conscientiously improve and strengthen ideological and political work. We should conduct education in professional ethics and social ethics among the people throughout the province to help them foster the ideas of loving the motherland, the people, labor, science and socialism, being devoted to work, and serving the people wholeheartedly, become well-educated and self-disciplined socialist citizens with lofty ideals and moral integrity, and carry forward the moral character of selflessness, putting other people's interests ahead of their own, and feeling happy to help others. We should carry out extensive activities to create civilized units and pay close attention to service attitudes and public order. We should exert great efforts to transform social traditions, abandon feudal and superstitious activities, strictly forbid gambling and drug addiction, and establish good social conduct in the urban and rural areas. In particular, we should greatly advocate the spirit of plain living, arduous struggle, and building up the country through thrift and hard work, "go all out to rejuvenate Liaoning, serve the whole country, and march toward the world," and make more contributions to the motherland and the

people. We should further strengthen army-government and army-people unity, do a good job in supporting the army and giving preferential treatment to families of revolutionary armymen and martyrs, give full play to the role of the PLA units stationed in Liaoning in building the spiritual civilization, and continue army-people cooperation in building civilized units.

The NPC Standing Committee issued the "Decision on Intensifying the Legal Education to Maintain Stability and Unity," and the provincial People's Congress Standing Committee has also made a resolution corresponding to it. In line with the requirements of the central authorities the provincial party committee, and the provincial People's Congress Standing Committee, we should use positive examples to conduct education among organs, schools, enterprises, establishments, and the rural areas with the "decision" as an important teaching material so that cadres and people, leading cadres in particular, will learn to use laws as a weapon to struggle against any acts in violation of the constitution and law. We should use the press, radio broadcasts, and television to extensively publicize the basic guidelines of the decision, compile guidance material to publicize and explain the decision, and do a good job in explaining the decision in line with reality so as to make it known to every household. Meanwhile, we should continue to popularize legal education with the focus on studying the Constitution, use it and the law to arm the broad masses of cadres and the people, make all organizations and individuals do things within the scope prescribed by the law, observe the Constitution and the law on our own initiative, and ensure their implementation.

It is necessary to strengthen the building of socialist democracy and the legal system, actively promote political life, economic management and social life in a democratic manner, enhance the sense of democracy and the sense of being a socialist citizen of the cadres and the masses at all levels, strengthen the concept of the legal system, and do a good job in implementing the "General Principles of Civil Code" and in handling people's visits and letters. We should continue to improve all kinds of administrative regulations, strengthen supervision and administrative work, and gradually institutionalize all administrative management work. We should attend to public security work, closely cooperate with the procuratorates and courts, deal strict blows to serious criminal offenses, economic crimes, and the sabotage activities of a small number of hostile elements, and ensure the steady improvement in social security. It is necessary to strengthen the building of rural political power, further separate government functions from business management, simplify administration and decentralize powers, improve the political powers of townships in line with the functions of township governments, and make the work of villager committees successful.

Continued efforts should be made to develop education, culture, public health and sports undertakings, with the emphasis on elementary education. We should conscientiously implement the plan on 9-year compulsory education, readjust the structure of specialized courses of the higher educational institutes and the distribution of municipal-level universities, improve the educational quality of all secondary vocational and technical schools, actively develop preschool education, minority education, special education, and rural vocational education, improve the conditions of the teachers training bases,

run all teacher's training schools well, readjust all kinds of educational schools for adults, do a good job in specialized and technical training for middle and high level personnel, gradually form a personnel training system to cope with the development of commodity production and the export-oriented economy, and ensure a new development in all levels and all kinds of schools. We should gradually readjust, reinforce, and improve the theoretical and cultural ranks, promote the development of social sciences, literature and arts, press and publication, radio and television undertakings, correctly handle the relations between economic results and social benefits, and attach importance to social benefits. We should further popularize and develop urban and rural sports activities, improve the people's physique, and enable more sports items to attain or approach the domestic advanced level. We should do a good job in reforming the public health management system in urban and rural areas, actively develop traditional Chinese medicine, organize all forms of medical cooperative associations, vigorously solve the medical problems of the rural areas, and strenuously control major infectious disease and endemic disease. It is necessary to further grasp family planning work, continue to promote the practice of one couple giving one birth, and keep the province's natural population growth within the plan.

We should strengthen environmental protection and management, control pollution and the deterioration of the natural ecology, improve major polluted areas and sources and dispose of pollutants, protect water resources, rationally develop natural resources, conduct afforestation campaigns in the urban and rural areas, create a beautiful, clean, and convenient environment for production and the people's livelihood, and create a good environment for foreign traders to invest in the province.

Fellow deputies:

In order to successfully the province's 1987 tasks, governments at all levels throughout the province should strive to improve their work. Since the governments at all levels are the leading administrative organs of various localities and the organizers of social production and activities, their work, whether good or bad, has a direct, vital bearing on the development of political and economic situations in the localities and on the prosperity of Liaoning province. We should strive to improve government work to cope with the needs of reform, opening to the outside world, and the socialist modernization drive. This is one of the pressing tasks before us.

In conducting reforms in government work, it is most important for us to act in high unison politically with the CPC Central Committee and to continuously upgrade the Marxist-Leninist theoretical standard of cadres at all levels and these cadres' consciousness in implementing the line, principles, and policies set forth during the period since the 3d Plenary Session of the 11th CPC Central Committee and in upholding the four cardinal principles. In line with the spirit in which we oppose "leftists" or rightists wherever they exist and while resolutely opposing bourgeois liberalism, the economic front should continuously eliminate "leftist" and outdated influences; further enhance the consciousness of conducting reforms and enforcing the policy of opening to the outside world; and should make efforts to change the old concept of petty production and the

natural economy and the concept of the commodity economy, which has developed over the past few years into a new one of the socialist planned commodity economy, to change the major direct managerial methods into indirect ones, to change bookishness into creative work done in line with reality, and to change the simple "control" in various fields into the measures of conducting reforms, protecting reforms, serving the drive to conduct reforms, and of rendering services to the grassroots level units.

Delegating power to the grassroots level units should be upheld. A high concentration of power represents the centralized expression of abuse in the old economic system and also is a root in causing overstuffed organizations and low efficiency in doing things and in bureaucracy and malpractices cropping up. Without dealing with this problem there will be no way for us to simplify administration or to improve government work. We should earnestly implement the eight provisions issued by the provincial people's government on further delegating power to the grassroots-level units and delegate power to the power-level organs, enterprises, and establishments to deal with problems that can be solved satisfactorily by them. In particular, we should give enterprises the power of making policy decisions on the macroeconomy in order to deal with the long standing problem in which "there is so much managerial work undertaken by administrative units that do not deserve to handle it, and is work have not been done totally or satisfactorily." Efforts should be made to change the highly centralized power in the past macroeconomic management and economic activities into the decentralization of power in which units at all levels can make policy decisions, assume responsibility, and conduct restrictions, and to further bring into play the central cities' role in economic construction and enhance the system in which counties are under the authority of cities.

Efforts should be made to further shift the work functions of organs. After delegating power of economic management to the grassroots-level units, governments should, by taking a much higher stand, study the issue of how to meet the needs of the socialist planned commodity economy and how to correctly bring into play their functional role in economic management. Their work emphasis should be placed on the tasks of enhancing macroeconomic management, formulating the strategic plan for development, grasping principles and policies, and of doing a good job in conducting coordinative, service, and supervisory work by applying the regulating methods of the economy.

The government workstyle should be realistically improved. Leading comrades at all levels should make efforts to free themselves from "issuing excessive documents and holding excessive meetings," to delve into reality to carry out investigation and study, and to have themselves carry out their official work on the spot so as to exercise their face-to-face leadership. Attention should be paid to analyzing the new situation, dealing with new problems in a timely manner, and continuously combating bureaucracy. Efforts should be made to carry forward a democratic workstyle, to pool the wisdom of the masses, bring into full play the role of brain trusts and veteran comrades who have retreated to the second or their lines before making policy decisions on dealing with key problems, and to conduct the work in a scientific and democratic way. After making a decision, efforts should be made to uphold the

centralized and unified principle, to have units at all levels assume responsibility, to carry out the decision through to the end, to strictly enforce discipline, and to clearly distinguish cases between award and punishment. By no means should we allow each unit to act on its own and as it pleases. Departments should discern the whole situation and take it into consideration, ponder questions in line with the whole situation, and should put forward problems and deal with them as well. Continuous efforts should be made to correct the malpractices cropping up in various industries and trades to ensure the smooth progress of conducting reforms and launching the campaign of increasing production and practicing economy as well as increasing incomes and curtailing spending.

We should often report situations to various fronts, carefully listen to opinions; consciously accept the legal supervision of people's congresses and their permanent organizations, the democratic supervision of the CPPCC, democratic parties, mass organizations, and patriotic personages of all circles, and the supervision of people's deputies and the people of all nationalities of the province; and strive to improve our government work.

We should conscientiously implement the policies of the united front, policies on nationalities, policies on religion, and policies on affairs concerning nationals living abroad to intensify the great unity between the people of various nationalities, to further develop and strengthen the patriotic united front, and to make efforts to realize the great cause of the four modernizations and the reunification of the motherland.

In line with the requirements of the provincial party committee for "transforming ideology and thinking, reforming the work system, improving work-style, upgrading work efficiency, and improving service quality," we should build the people's government organs into government organs where the working personnel are honest in performing their official duties, do solid work, score high work efficiency, and blaze new trails, and which the people have full confidence in. Being honest in performing official duty means plain living, arduous struggle, diligence, and thrift. This requires that the working personnel of government organs neither abuse their power for selfish ends nor engage in unhealthy practices, but play an exemplary role in abiding by party discipline and state law, serve the grassroots and the people wholeheartedly, and be public servants of the people. With regard to doing solid work, the working personnel of government organs are required to do more solid work instead of uttering empty words, to strictly avoid boasting and exaggeration, to neither pursue an undeserved reputation nor practice formalism, but to do their work solidly and cautiously. With regard to scoring high work efficiency, the government working personnel are required to work rapidly and with high efficiency instead of delaying their work or engaging in unnecessary and overelaborate formalities, and to stress efficiency in handling affairs, economic results, and social benefit. With regard to blazing new trails, the government working personnel are required to be good at study, pay attention to practice, to bravely conduct reform, make explorations, and blaze new trails, neither to be complacent and conservative nor to stick to old conventions, but to do their work creatively under the guidance of the overall principles and policies of the party and in line with their actual conditions.

The work tasks for 1987 are heavy and arduous. However, we have many advantageous conditions for fulfilling various tasks. The overall provincial situation characterized by logical administration, harmonious people, stability, and unity is very good. This has created a fine social environment for economic development. Through conducting grassroots party rectification, implementing the "resolution" of the 6th Plenary Session of the 12th Party Central Committee, and conducting the struggle to oppose bourgeois liberalism, the vast number of cadres and people are further full of enthusiasm for developing socialism. All the cadres' awareness of reform and opening to the outside world and their thinking of socialist planned commodity economy have been further enhanced and the province's urban and rural economic restructuring has entered a new stage. It is certain that the development of all undertakings will be facilitated. The economic and technological foundation laid during the Sixth 5-Year Plan period and the good start made during the first year of the Seventh 5-Year Plan period are more conducive to the realization of this year's economic and social development plan. Particularly thanks to the smooth realization of the replacement of the old cadres by the new over the past few years, the comrades in the first, second, and third lines are closely united, the relations between the cadres and the masses are increasingly closer, and various fronts have made concerted efforts to enthusiastically support our government work. Only when we closely rely on the powerful leadership of the Party Central Committee, the State Council, and the provincial party committee, closely rely on the forces of veteran comrades inside and outside the leading bodies, the cadres at all levels, and the people of various nationalities, and unite as one to live a plain life and wage an arduous struggle can we certainly be able to conquer all difficulties cropping up in the course of advance and completely win new successes in reform, opening to the outside world, and the two civilizations.

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ECONOMIC STATISTICS

DIRECTOR ZHANG SAI ON STATISTICAL REFORM

Beijing TONGJI [STATISTICS] in Chinese No 1, 17 Jan 87 pp 2-3

[Unattributed article: "Statistical Reform Has Created an Excellent Situation on China's Statistical Front, States Zhang Sai [1728 1049], Director of the State Statistical Bureau"]

[Text] Not long ago, at a meeting of the directors of some provincial and municipal statistical bureaus and survey teams, Comrade Zhang Sai, the director of the State Statistical Bureau, stated that statistical reform has created an excellent situation on China's statistical front.

Comrade Zhang believes that there are five principal signs that China's statistical work is proceeding well:

1. The important status and role of statistical work is becoming ever more apparent in the policymaking of the party's and the government's leadership. Reform of China's economic system has gradually democratized the state's macroeconomic policymaking and made it more scientific. Scientific policymaking must be based on a scientific foundation, and statistics is a branch of the science of policymaking. For this reason, the important position and role of statistical work in socialist modernization are being recognized by more and more people, particularly by party leaders and policymakers. As some comrades have said, previously the party and government leadership only used the statistical information supplied by us as reference for setting policy; later, with the vigorous promotion of "open" statistics, an effort was made to provide high-quality service, and the statistical departments gradually developed into consultants for party and government policymaking. In many areas, statistical departments have now evolved into participants in the policymaking of party and government. From reference to consulting and on to participating is a qualitative leap. Objectively speaking, it was possible for this to happen because it was a necessary requirement imposed on statistical work by domestic invigoration and the opening to the outside, by improved macroeconomic control, and by implementation of scientific policymaking; subjectively, it was the necessary result of statistical departments vigorously engaging in "open" statistics and emphasizing high-quality service.

2. The statistics work force has gradually expanded. Over the last few years, the inability of the statistics work force to meet the rapidly increasing statistical task has attracted a high degree of attention from the party and the state, and they have moved toward solving the problem. As reform of the economic system proceeds and macrocontrol continues to be strengthened, there has been a rapid increase in the demand for statistical information, causing the workload of statistical departments to increase daily and making it impossible for the statistics work force to keep up with the sharply increasing task facing them. The Central Committee and the State Council have been extremely concerned about this; documents put out by the Central Committee and the State Council, as well as speeches by leading comrades, have all emphasized the need to flesh out and strengthen the system of economic information and policy consulting that includes the statistical departments, and the economic inspection and supervision structure. In particular, with the whole country facing retrenchment in institutions and cutbacks in staff, it was a great accomplishment to get the State Council to approve a staff increase of 10,000 for the statistical departments, and it fully demonstrates the great concern and support of the party and state for statistical work.

3. It may be hoped that the pace at which statistical information technology is modernized will be somewhat faster than originally anticipated. Computers are the modern tool for transmitting and processing large quantities of statistical information. Installing computers in statistical departments is fully consonant with the rules for developing information technology. How to achieve the modernization of statistical information technology, however, is a very important question.

In February 1986, at the statistics conference held in Beijing, we decided on the basis of experience both in China and abroad to start with microcomputers, going from small to large, taking 4 or 5 years to lay a preliminary foundation of modern statistical information technology; we also decided to raise funds through many different channels, both central and local. At the present time, the funds are basically available. In addition, market prices for computers have gradually come down, so that by 1990 it will be possible to establish a modern statistical information technology in embryonic form. Naturally, different regions will develop unevenly; we are speaking here primarily of the country as a whole. In another 1 or 2 years, the major conflict in the modernization of statistical information technology will not involve equipment and hardware, but rather skilled personnel and software. Whether this conflict can be properly resolved will directly affect the progress of modernization of this technology. If we also take into account the long, slow process of producing skilled personnel, it is not too early to posit and recognize this intense problem; it is actually late. Therefore, statistical departments must make an effort from top to bottom to focus on training cadres, and to disseminate the application of computer technology as quickly as possible among statistical workers, so as to avoid a situation in which we have the equipment but not the people trained to use it.

4. The results of statistical reform have been further consolidated, and we are now exploring a new system of statistics management adapted to China's new system of socialist macrocontrol. In recent years we have organized urban and rural sampling survey teams around the country; the State Statistical Bureau

has implemented centralized management over staffing and operating costs in statistical departments at the county level and above, which is a beneficial experiment in reforming the statistics management system that has achieved widely recognized success. Recently, as gradual reform of government institutions has been launched, the State Council gave approval to the National Commission on System Reform to use 16 cities as test sites for institutional reform and to set new, higher and more urgent requirements for reform of the statistics management system, especially the professional system.

Reform of the statistics management system is a complex issue. Since the party's focus shifted, how well economic work is done has become an important basis for measuring and assessing the achievements of leading cadres, and how well economic work is done is expressed by means of statistical indexes. This approach links statistical indexes to the political glory and material benefits of leading cadres. China's current statistical system is one in which each statistical department is responsible primarily to local party and government leaders, which means that the honor or disgrace, the rise and the fall of statistical workers are also linked to local party and government leaders. The former type of linkage is completely necessary, while the latter is a shortcoming of the management system. It is this shortcoming that gives some cadres with unhealthy tendencies the opportunity to interfere in statistical work and "cook" statistics, thereby distorting macroeconomic information during the statistical process, which necessarily results in the entire country's macroeconomic policymaking losing its scientific basis. This problem seems especially salient at a time when the state is simplifying government and delegating authority, with enterprise management going from primarily direct control to primarily indirect control. Therefore, reform of the statistical system should henceforth focus on two goals: a) facilitating the elimination of interference with statistical personnel to ensure that the macroeconomic policymaking of the Central Committee and the State Council is scientifically based; b) meeting the policymaking needs of local party and government leadership at all levels.

5. The working conditions and living standards of China's statistical workers are also gradually being improved. Comrades are really making an effort; the revolutionary fervor with which they are enthusiastically forging ahead has never been greater. It can be forecast that the future of China's statistical work will be even more glorious.

Comrade Zhang Sai emphasized that the country's statistical workers must clearly recognize and cherish this excellent situation; this is the main responsibility of the leading comrades in all our statistical departments. As reform of the economic system proceeds and reform of the political system gets under way, it is critically important to call their attention to this point.

Comrade Zhang Sai calls on the country's statistical workers to treasure this hard-won situation and to continue to strive for success.

13322

CSO: 4006/436

FOREIGN TRADE, INVESTMENT

BUSINESSMAN ON PROSPECTS FOR PRC-INDONESIA TRADE

HK270941 Hong Kong ZHONGGUO XINWEN SHE in Chinese 0301 GMT 25 Apr 87

[Report by Zhang Zhenxiang (6933 1767 4332): 'Tang Yu on Prospects for Sino-Indonesian Trade']

[Text] Singapore, 25 Apr (ZHONGGUO XINWEN SHE)--A famous Southeast Asian businessman, Tang Yu, holds that trade relations between Indonesia and China will become closer in the future. He said that since the resumption of direct trade between the two major Asian countries in July 1985, trade relations have been developing smoothly and trade volume has been increasing continuously. It is possible for the two countries to establish a long-term relationship of trade and cooperation, for this serves the interests of Indonesia and China and meets the common desire of the people of the two countries.

Tang Yu is a Chinese of Indonesian nationality living in Singapore. He is not only a special member of the Indonesian Industry and Commerce Association, but also chairman of the Singapore Exporters and Importers Association. The business of his Yunas Group involves Indonesia, Singapore, Hong Kong, and the Chinese mainland, and he once directly paved the way for the resumption of direct trade between Indonesia and China. A few days ago, this shrewd 62-year-old businessman frankly expressed his views to this reporter in Yunas building, located in Singapore's financial district.

He pointed out that Indonesia has plenty of timber, chemical fertilizers, and other materials that China needs, and that China has abundant coal, cotton, medicines, and industrial products that Indonesia needs. The two countries could do a lot of business. However, most of the current trade between the two countries is conducted indirectly through Singapore, Japan, and Hong Kong. He believed that this situation would be changed and that trade between the two countries would be conducted directly.

On trade between Singapore and China, he said that the trade volume between Singapore and China would increase gradually and that their economic cooperation would also be strengthened. He said: Since the implementation of its open policy, China has made progress in its economy. However, to attract more overseas investment, China should improve the investment environment, perfect the legal system, ensure investors' interests, keep promises, and do its best to provide convenience to overseas investors. Meanwhile, China must do a good

job in conducting investment propaganda, such as briefing on resources and population in a city or province, on what the city or province needs or lacks, and on fields or projects that can be invested in and exploited by others. China should not fear that others will make money in china. He said that as an overseas Chinese, he wishes to see a powerful China.

On economic relations between Singapore and Hong Kong, Tang Yu holds that these two "small dragons" in Asia both belong to the island-type economy and the customs and habits in the two places are very similar. However, Hong Kong has the Chinese mainland at its back to rely on, and Singapore is an independent country that has absolutely no resources and must rely on its own ability to meet changes. With increasing Sino-Singaporean trade in the future, trade between Singapore and Hong Kong will decrease, but the two places will maintain close financial and stock market ties.

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CSO: 5006/587

AGRICULTURE

NONGMIN RIBAO ON RURAL CAPITAL MARKET REFORM

HK271302 Beijing NONGMIN RIBAO in Chinese 14 Apr 87 p 1

[Interview by NONGMIN RIBAO reporter with unidentified official from the head office of the Agricultural Bank of China, date and place not given: "Speed Up the Pace of Reform, Open Up the Rural Capital Market"]

[Text] During this and the coming year, what goal should the rural financial structural reform reach? What is the main content of reform of agricultural banks and credit cooperatives? With these questions, our reporter has interviewed a responsible person from the Agricultural Bank of China head office who made the following response.

Question: What is the goal of rural financial structural reform?

Answer: At the beginning of the year, the head office raised the issue of rural financial structural reform for this and the coming year. The goal of the agricultural bank is to step by step turn the bank into a real financial enterprise. Its key services are for the rural state-owned economy and the middle- and higher-level cooperative economy. It is to support the progress of township and town enterprise technical reform, quicken the tapping of rural resources, and play the dominant role in rural finance. The goal of credit cooperative reform is to turn the credit cooperatives into units composed of peasant households and cooperative economic organizations as voluntary shareholders, and their main task is to serve in further developing commodity production. The cooperative is managed democratically by cooperative members. It makes its own operational decisions, practices independent accounting, and assumes sole responsibility for its profit and loss, as well as all the risks, as a cooperative financial organization of collective ownership.

Question: During this and the coming year, what is the main content of agricultural bank and credit cooperative reform?

Answer: To fulfill the above goals, during this and the coming year, the agricultural bank will proceed with the following reform: the agricultural bank's financial enterprises will be separated from the financial administrative management, and county (city) branch management decision-making powers will be expanded. These powers concern mainly capital expenditure, interest

fluctuation, credit and loan, personnel management, and so on. The major portion of new inflow credit funds is to be appropriated to county (city) branches. Based on funds capacity and local needs, county-level branches have the authority to extend the scope of services, and launch suitable competition. In line with their examination and approval authority, they can decide on issuing credit and loans, bearing the loan and credit responsibility as well as the risks.

The main content of credit cooperative reform is: to freely increase the capital, and link together the cooperative shareholders' benefit with the business results of the credit cooperative. The accumulation of credit cooperatives belongs to the cooperative members. After increasing the capital, there will be dividends but no regular interest payments. They share both the profit and the risks together. When the credit cooperative has done well in issuing loans and credit to its shareholding members, it can loan money to non-members and can join hands with the agricultural bank in doing so. Credit cooperatives that have the capability, can act on behalf of others, or on a trial basis, to provide trust, rental, insurance, and consultative services. When a credit cooperative loans out money, the credit officer and united county cooperative should examine and approve them according to their authority level. Based on the state interest rate policy, the united county cooperative can decide on readjustments in interest rates for local credit cooperative deposits and loans. Basic-level credit cooperatives can, in accordance with law, follow suit with reference to market interest rate fluctuations. The credit cooperative also needs to establish and maintain a democratic management system. The cooperative member congress is the real power organ of the credit cooperative.

Question: To quicken the development of rural financial structural reform, from what aspects can the rural capital market be opened up?

Answer: To promote interbank capital loans is the current main aspect of developing the rural capital market. Agricultural banks at various levels and credit cooperative can follow the principle of working first within the system, and then outside it, in participating at various levels and different scopes of interbank loans. The two parties can decide on the loan amount, period, and rates, without intervention from a superior bank. There can be a comprehensive capital market organized at a fixed place and fixed market time; or trade fairs can be organized at irregular intervals.

The bills market is to be actively developed. For the healthy development of business credit, and collaboration with banks, commercial bills should be promoted. This year, each province, autonomous region, and municipality directly under the central government, has chosen at least one city branch to release commercial bills, inaugurate commercial bills discount business, gradually raise the proportion of bills discount and bills mortgage loan in the total amount of loan.

Stock markets will be operated steadily on a trial basis. We should gradually guide capital raised in rural society towards stocks, to encourage and

help enterprises to use stocks and bonds when raising funds. In places where township and town enterprises are prosperous, and where social collective funds are active, the agricultural bank and its subsidiary investment company can set up special agency desks to handle, on behalf of profitable and reputable qualified enterprises, the issue of stock and bonds, and organize transfers of negotiable securities. They should also actively regulate the dredge of the free credit and loan market.

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CSO: 4006/593

AGRICULTURE

SICHUAN RURAL SURVEY EXAMINES PEASANT CONSUMPTION

Chengdu SICHUAN RIBAO in Chinese 10 Mar 87 p 2

[Article by the Rural Economics Office of the Sichuan Rural Sample Survey Team: "Peasant Consumption Should Not Increase Too Fast"]

[Text] Survey data on 5,500 rural households in 55 counties obtained by the Sichuan Rural Sample Survey Team show that last year the rate of increase in expenditure on consumption by Sichuan's peasants greatly exceeded the rate of increase in per capita net income, and the rate of increase in production input slowed. This abnormality should cause a high degree of concern among the authorities.

Due to changes in the conditions that led to the abnormal growth in Sichuan's rural economy, the income of Sichuan's peasants has now shifted from rapid growth to steady growth. Last year per capita net income among the 5,500 peasant households in 55 counties was 337.94 yuan, a 7.3-percent increase over the previous year; per capita expenditure on everyday consumption was 310.92 yuan, a 12.6-percent increase. The amount and rate of this increase has greatly exceeded the increase in net income for the first time since the founding of the People's Republic. Peasant consumption has broken through three thresholds: per capita expenditure on consumption for the first time broke through the 300-yuan mark; the position of housing expenditure in daily consumption went from fourth place to second place; food expenditure, which had long been dominated by staples, is now dominated by nonstaples.

At odds with the rapid momentum in the increase in consumption expenditure is the slowdown in the rate of increase in production input. Last year per capita production input among the 5,500 rural households was 132.40 yuan, a 12.6-percent increase over the previous year; the rate of increase was lower than the 14 percent of the previous year, and the amount of increase was only 0.35 yuan more than the previous year. The increase in operating income of Sichuan's rural households is basically dependent on the increase in input; the current slowdown in the rate of peasant input in production does not favor continued, stable growth in Sichuan's agriculture.

The principle reasons behind the excessively rapid increase in peasant consumption expenditure and the slowdown in production input are: 1) Misguided consumption, which serves to bring about excessively rapid changes

in the consumption habits and psychology of peasants. Overestimation of peasant wealth to a certain extent encouraged ostentatious and wasteful displays at rural weddings and funerals; many peasants, influenced by old customs, were passively caught up in these trends. 2) A lack of production outlets dampened the peasants' desire to invest. Peasant educational and scientific levels are universally quite low; aside from investments in traditional planting and stockraising, there was little investment in industries involving higher technical and administrative levels and offering better economic benefits. Last year 91.5 percent of the increase in per capita production input among the 5,500 rural households was applied to planting and stockraising; only 8.5 percent was applied to other industries. 3) Trickle-down funds scattered among peasant households have not become operating funds put into production; on the one hand, in recent years there has been a steady increase in peasants' cash on hand and their deposits; on the other, because many peasant households are short of cash they are unable to develop toward broader and more intensive production. 4) The increase in improper expenditures by peasants in feudal superstitions has affected the increase in production input. In many rural areas, especially in remote border areas, the activities of sorcerers and sorceresses have severely affected agricultural production and peasant living standards.

In order to solve the problem of excessively rapid increases in peasant expenditure on consumption, we propose the following: 1) A vigorous effort should be made in rural areas to encourage a spirit of hard work, thrift, and arduous struggle, to establish among the peasants a correct concept of consumption, emphasizing consumption results and giving equal consideration to both short-term and long-term interests, so that they put more funds into production. 2) Various means should be used to put cultural knowledge, science, and technology in the peasants' hands as quickly as possible, to raise the quality of the rural labor force and to stimulate their enthusiasm for improving their investment structure, so that while ensuring an increase in investment in traditional planting and stockraising investments in other industries can quickly be increased and outlets for their production found. 3) Rural money markets, centered on nongovernmental lending, should be positively and safely opened and established, so that more "dead money" can be turned into active money for developing production. 4) Peasants should be taught to do away with superstitions, and venal and murderous sorcerers and sorceresses should be sternly attacked.

13322

CSO: 4006/467

AGRICULTURE

VITALIZATION OF AGRICULTURE DEPENDS ON ADVANCED S&T

Beijing ZHONGGUO NONGYE KEXUE [SCIENTIA AGRICULTURA SINICA] in Chinese
No 1, 20 Feb 87 pp 1-5

[Article by Xin Naiquan [0207 6621 6112] of the Department of Research Work Management of the Chinese Academy of Agricultural Sciences: "The Vitalization of Socialist Agriculture Will Have To Rely on Advances in Science and Technology; Reviewing the Sixth 5-Year Plan and Look Ahead at the Seventh"]

[Summary] In the Sixth 5-Year Plan, China's agricultural research and development [R&D] organizations conscientiously implemented the policy that "S&T must be geared to economic construction, and economic construction must rely on S&T," united to coordinate their efforts and tackle key problems, and achieved many S&T results.

In order to ensure fulfillment of all production targets in the Seventh 5-Year Plan, China's many agricultural scientists and technicians will have to conscientiously implement the spirit of the "CPCC Central Committee Resolution On S&T Reform," vigorously promote the transformation of agricultural technology and technical progress, and gradually raise the amount of increased agricultural output relying about 45 percent on agricultural S&T. Moreover, they will have to intensify basic and applied research and high-tech R&D, welcome the challenges of the new technological revolution, and build up S&T reserves to accomplish the goal of quadrupling the annual GVIAO by the end of the century. [End Summary]

I

Based on the agricultural research tasks assigned by the State Science and Technology Commission, the State Economic Commission, and the Ministry of Agriculture, Animal Husbandry, and Fishery in the Sixth 5-Year Plan, China's many scientists and technicians united to coordinate their efforts and tackle key problems, and won national and department awards for 1,040 S&T results. Not only did these S&T results have high S&T standards, but they also brought many economic results in production. It is estimated that reliance on S&T advances accounted for about 35 percent of the increased agricultural output and contributed to the comprehensive, stable, and large-scale growth of agriculture. The major S&T results achieved in the Sixth 5-Year Plan were:

1. Many New Crop Varieties and Livestock and Poultry Breeds Were Collected, Replenished and Evaluated

All areas throughout China were mobilized in 1979 to launch a campaign to collect and replenish crop varieties. Emphasis was put on organizing the scientific study of crop varieties in the Yunnan and Xizang regions. Wild rice and soybeans were studied scientifically throughout China, and almost 100,000 varieties of 50 kinds of crops were acquired. Moreover, the job of importing varieties from abroad was intensified. Statistics show that 43,000 crop, fruit tree, and fodder varieties of all kinds were imported from over 90 countries and international organizations from 1981 to 1985. For instance, such imported varieties as "IR24" and "IR661" international hybrid rice, the "M17" self-pollinating corn series, "Aizimian 63-69" and "Paimasite 784" nonpoisonous cotton, "Aoluo" low mustard rape, and "Baganmeng" citrus trees have all become major breeding materials. By the late 1970's, China had thoroughly investigated over 250 breeds of livestock and poultry, such as horses, donkeys, mules, cows, camels, sheep, hogs, chickens, ducks, geese, and rabbits. These included many valuable local breeds, such as Sanhe horses, Guanzhong donkeys, Qinchuan and Nanyang cows, Tan, Hu, and short-tailed Han sheep, Taihu and Neijiang hogs, Beijing You chickens, and Beijing ducks. Besides being suited to specific environments and having unique characteristics, these breeds also have such distinct characteristics as being fine bred and highly disease-resistant, and are very valuable livestock and poultry breeds.

The job of compiling catalogs and records of and evaluating crop varieties and livestock and poultry breeds was organized in the Sixth 5-Year Plan. By the end of 1985, crop catalogs had been completed for 12 varieties, such as wheat, rice, and corn, and published for such varieties as cotton, rape, soybeans, and fodder. Records were published successively for wheat, sorghum, millet, and cotton varieties and livestock and poultry breeds. The job of breeding was also integrated, and 150,000 evaluations were made of the major agronomic and economic characteristics of crop varieties, such as rice, wheat, corn, sorghum, millet, and soybeans. Many high-quality, highly disease-resistant materials were discovered, some of which are being used in production and scientific research. In addition, it was further researched and proved that Yunnan was one of the places where the world's rice originated, and that long- and round-grained nonglutinous rice evolved from south China's wild rice.

2. Many New Crop Varieties and Hybrids, and Livestock and Poultry Breeds and Crossbreeds, Were Developed

In the Sixth 5-Year Plan, China organized to tackle key breeding problems in rice, wheat, corn, sweet potatoes, potatoes, soybeans, cotton, rape, vegetables, and rubber, and to study key items, such as millet, sorghum, peanuts, sesame, tobacco, hemp, and flax of various kinds, silkworm mulberry and fruit trees. It developed 433 new high-yield, high quality, multidisease-resistant improved varieties and hybrids, whose economic results topped 4.5 billion yuan. For instance, 62 new rice varieties were developed and popularized on over 92.9 million mu; 42 new wheat varieties with high and stable yields were developed and popularized on 79.35 million mu; high-quality and high-yield "Jingu 13" and "Jingu 14" millet was grown on over 10 million mu; high-yield, palatable "Liaozha No 1" sorghum was popularized

on 3.8 million mu; early-maturing, highly wither-resistant "Luhua No 3" and large-grain, high-yield "Luhua No 4" peanuts were popularized on 400,000 mu; in addition, such new varieties as "Lubo No 1" radishes, "7925" Xianggu mushrooms, "74-1" wind-resistant bananas, and "Lusezhongzi" strawberries were developed, popularized and used in production.

Eight breeds of lean commodity hogs had a raised dressing percentage of about 3 percent, a lean meat percentage of over 57 percent, and a meat-feed ratio of 1:3.4, with 117,000 head produced for demonstration. High-quality, yellow-feathered meat chickens were bred to have distinct Chinese characteristics and quickly raised in 56 days. They have an average live weight of 1.8-1.9 kg and a meat-feed ratio of 1:2.4, and their number has increased to 10.61 million. Two new improved breeds of laying hens can lay 1.25 kg of eggs a year per hen more than regular layers, and their number has increased to over 62.4 million. The new E2 and E1 series commodity ducks were crossbred to reach a weight of 3 kg in 7 weeks and have a grain-consumption ratio of 3.18, which approaches advanced international standards. An improved breed of "China Merino sheep" was crossbred from Aomei rams and Boerhuasi ewes with the most advanced techniques. Their test-spun wool has reached high-quality international standards for wool-spinning raw materials, and there are now over 30,000 of them in over 20 provinces and regions.

3. Comprehensive Administration of Key Regions Was Launched, and Outstanding Economic Results Were Achieved

Comprehensive administration of China's key low- and medium-yield regions was carried out in the Sixth 5-Year Plan, and tangible economic, social and ecological results were achieved. The Shangqiu experimental zone, situated in the plain between the Huang He and Huai He in Henan, adopted the policy of "taking water conservation as the guide and fertility cultivation as the key, comprehensive administration of irrigation, drainage, leveling, and fertility, and overall development of farming, forestry, animal husbandry, sideline production, and fishery." It combined engineering and biological measures, local and drainage-area administration, and land utilization and maintenance. From 1982 to 1984, its grain yield rose from 197.5 to 372.5 kg per mu, and its average income rose from 167 to 436 yuan per capita. The water salinity trend monitoring and forecasting experimental zone, set up in Quzhou, Hebei, can monitor and forecast water salinity trends for atmospheric precipitation, surface water, groundwater and soil water, and its methods and plans are up to advanced international standards. The Qiyang experimental zone, in Hunan's red earth hills in the south, discovered the limiting factors for rice seedlings through on-the-spot investigation and field experimentation. It took steps to improve soil fertility, such as adding potassium and zinc, popularized them on 4.74 million mu in 3 regions in Hunan, and achieved economic results of 41.51 million yuan. The Mizhi experimental zone in Shaanxi's loess plateau gradually made its farming, forestry, and animal husbandry structure more rational through comprehensive administration in revising their respective land utilization proportions. It increased its grain-consumption 18.6 percent per capita and its annual income 128 percent per capita. Its

plant cover rate has reached 25.3 percent, and it has begun to cast off its poverty and become rich.

4. Comprehensive Prevention, Control, and Elimination Techniques Were Used to Effectively Control the Danger of Major Plant Diseases and Insects, and Livestock and Poultry Epidemics

The major plant diseases and insects that attack rice, wheat, corn, cotton, vegetables, and fruit trees were all studied in the Sixth 5-Year Plan. Comprehensive prevention, control, and elimination techniques were proposed to reduce pesticide use by 30 to 50 percent and labor by one-third. In the area of pesticide application techniques, the motion, deposit, and distribution characteristics of pesticides sprayed on seeds on cultivated land were studied and ascertained. Successful manual spraying techniques and fast-acting, highly concentrated, 100-fungus, smokeless tablets were then developed, popularized, and used. This not only lowered costs and the amount of pesticide use, but also improved working conditions and saved labor.

New advances were made in techniques to diagnose, prevent, control, and eliminate major livestock and poultry epidemics. A good vaccine to immunize horses and effectively control the danger of infectious anemia epidemics was discovered. Monitoring methods were developed, and a complete set of rules for making and using antigens was formulated for 18 epidemic diseases, such as SPF chicken disease and infectious bronchitis, tracheitis, and Fashi cysticercosis.

5. Many New Achievements Were Made in Techniques for Storing, Preserving and Processing Agricultural Products at Their Place of Origin

Through studying and improving traditional storage techniques in north China's high-yield apple and pear regions, a new system of storing and preserving at the place of origin was tentatively established. It combines "improved underground pits" and "atmospheric regulation of cave dwellings" with "cold-storage," and integrates storage in pits and caves with such measures as using nonpoisonous polyvinyl chloride bags, picking at the right time, and treating with chemicals. After 6 months of storage, over 90 percent of the fruit is still in good shape, and such provinces as Shandong, Liaoning, and Shanxi have now popularized and applied it. Using improved earth pits, mechanical air-exhaust equipment, and ventilation-control switches, over 91.1 percent of the fruit is in good condition, and its solubility and solid-state material content are over 9.7 percent, after approximately 120 days of storage at the place of origin. After 50 days of simple controlled-atmosphere storage, over 80 percent of tomatoes and hot peppers are still in good condition, and this raises their market value three to fourfold. The method of preserving fresh ginseng is to store it in refrigerated warehouses at zero degrees Centigrade. After being preserved for 210 days, it is still 95 percent fresh.

New advances were made in studying the processing of, and comprehensive techniques for using, agricultural products. The high-pressure inflation method of desugaring soybeans used soaking in sugar juice to

test-produce beverages. Initial investigation of the ingredients of grape juice varieties and the adaptability and technological process of processing technology provided plans to batch process grape juice. In addition, new market varieties were provided by processing, such as canning peaches, oranges, and tangerines, making peanut butter and tahini, making drugs from pilose deer antlers, making a series of goods from bee products, comprehensively using tea and cotton seeds, and making paper from whole bluish dogbane stalks.

6. Microelectronic and Biological Technology Were Used Extensively

As to microelectronic technology, the storage of and search for crop varieties was developed systematically in the Sixth 5-Year Plan, and data bases were initially established for rice, wheat, corn, and silkworms. Thorough investigation and data analysis of the constituent elements, best composition, and breeding targets for a winter wheat variety with an ideal output of 350 to 400 kg per mu provided plans for improving conventional breeding techniques. Soil fertilizer testing and application programs, including 37 special and 65 conventional statistical ones, were drawn up for pocket-size PC 1500 computers and used by agricultural research and technology popularization units. The principles of linear programming and the BASIC language program design were used to choose the best feed prescriptions. For instance, in calculating feed prescriptions for laying hens, the computer was able to output many feed prescriptions suited to China's chicken feed standards and at the lowest cost. Newly designed programs to predict agricultural product yields were used to provide reliable yield information for relevant departments.

In the field of biological engineering, over 20 new crop varieties were selected through pattern cultivation. Some of them, such as wheat, corn, citrus, grapes, and yangtao, were successfully raised in China for the first time and hold a leading international position. The newly bred Zhonghua No 8 and Zhonghua No 9 high-yield and high-quality rice varieties, which carry the anti-rice-blast gene, were popularized on nearly 3 million mu, and the newly bred Jinghua No 1 wheat variety was popularized on 1 million mu. Rapid propagation techniques for crops, such as fruit trees, flowers, and vegetables, developed very quickly in the past few years. The methods of series cultivation and grafting were combined to successfully raise fast-growing, seedless watermelons. Through research in asexual reproduction of and rapid propagation techniques processes for Chinese roses, the best prescription for a culture medium to induce strong sprouts was selected. Sustained cell division and self-healing tissues were obtained, and intact plants were then grown, from cultures of protoplasm from cucumber cotyledons. The monoclonal antibody reagent for diagnosing the Y virus in potatoes was identified, and provided a new, quick, and accurate way to monitor germs. Three Dankelong antibody hybrid tumor cell plants--the brucellosis bacillus, and viruses for infectious anemia and hoof-and-mouth disease in horses--were established, and the brucellosis bacillus monoclonal antibody is being used.

II

In order to ensure the continued, steady, and coordinated growth of China's agriculture and the fulfillment of all production targets in the Seventh 5-Year Plan, the policy that "S&T must be geared to economic construction, and economic construction must rely on S&T" will have to be implemented conscientiously, the transformation of agricultural technology and technical progress will have to be promoted vigorously, and the amount of increased agricultural output relying on agricultural S&T will have to be raised gradually to about 45 percent. Moreover, basic and applied research and high-tech R&D will have to be intensified, the challenges of the new technological revolution will have to be welcomed, and S&T reserves will have to be built up and production growth stamina maintained to accomplish the goal of quadrupling the annual GVIAO by the end of the century.

The strategic priorities of China's agricultural S&T in the Seventh 5-year Plan are:

1. To Organize and Popularize Agricultural S&T Results and Suitable Advanced Techniques, and Speed the Transformation of Agricultural Products Into Commodities

China's scientists won national and department awards for over 1,000 agricultural S&T results in the Sixth 5-Year Plan. In addition, considerable numbers of effective S&T results were achieved in the past. Agricultural research units and agrotechnology popularization departments at all levels will have to integrate their regional agricultural growth needs and conscientiously select, organize, and popularize a number of S&T results and suitable advanced techniques that requires little investment, produce desired results quickly, have high economic results, and can be adapted to existing technical standards. The key projects to be popularized throughout China in the Seventh 5-Year Plan are: various improved crop varieties and hybrids, and livestock and poultry breeds and crossbreeds; major model techniques for cultivating crops and raising livestock and poultry; techniques for comprehensive prevention, control, and elimination of major crop diseases and insects, and livestock and poultry epidemics; improved prescriptions for fertilizer application, and series of compound fertilizers; water- and energysaving irrigation techniques; mechanized cultivation and harvest techniques; techniques for storing, preserving, and processing fresh and live commodities; installation and environmental engineering technology; tissue culture and rapid propagation techniques; the use of radiation nucleus, microcomputer, and remote-sensing technologies; and speeding up the transformation of S&T results into commodities.

Agricultural research units will also have to integrate construction of commodities bases with implementation of "sparking plans" to invigorate the rural economy, utilize S&T results comprehensively, and turn them into productive forces quickly. Scientific research, education and popularization departments should make a concerted effort to transfer

S&T results to rural areas and township enterprises level by level and in various ways, and make new contributions to advancing the second stage of rural reform.

2. To Focus Closely on Organizing and Making a Concerted Attack on Key S&T Issues That Affect Agricultural Production

Based on the need to revise the rural industrial structure and expand commodity production, one of the key strategic tasks of China's agricultural S&T in the Seventh 5-Year Plan will be to organize and make a concerted attack on key issues that have a major economic effect on agricultural production. These include breeding techniques for new crop varieties and livestock and poultry breeds, techniques to prevent, control, and eliminate plant diseases, insects and rodents, and livestock and poultry epidemics; post production storage, preservation, processing, and comprehensive utilization techniques; techniques to raise agricultural production in the three-rivers plain, the loess plateau, the region between the Huang He and Huai He, and the nonirrigated farmland in the north; and comprehensive control of the red and yellow soils in the south. This will assist the technological transformation of traditional agriculture and realization of the goal of quadrupling the GVAO by the end of the century.

This kind of research project will involve a wide range of subjects and be very comprehensive. It will be necessary to use systematic, scientific principles, do a good job of project classification, and clarify goals, contents, and progress requirements. Based on feasibility proofs of the technical routes to be taken, the best will have to be selected, the unit responsibility fixed, and the jobs organized and carried out well.

3. To Improve Basic Work and Theoretical Research, and Provide S&T Reserves To Invigorate Agriculture

Since agricultural research relies on the growth of social production and the application of new and developing technologies and, moreover, is also the leading edge of all agricultural science, improving basic work and theoretical research in agrosience will be very important. In order to accomplish this in the Seventh 5-Year Plan, it will be necessary to continue to do a good job of organizing the storage, appraisal, and use of crop varieties and livestock and poultry breeds, and improve research in biogenetics, physiological change, and ecosystems. Vigorous plans will also have to be made for basic research that has a far-reaching effect on agricultural science, such as genetic engineering, photosynthesis, biological nitrogen fixation, and resistance mechanisms. Although it may be temporarily difficult to foresee the actual application of some basic research, it will still be necessary to make systematic plans for the proper forces to explore it. Mastery of basic work and theoretical research will promote the growth of all agrosience, major technological innovations, and possibly even a new technological revolution.

In order to expand China's basic research in agrosience, it will be necessary to pay particular attention to building a corps of capable

researchers. While continuing to develop the role of older scientists, it will also be necessary to make a concentrated effort to select and train many outstanding young and middle-aged ones to replenish the ranks and improve basic research work.

4. To Stress the Growth of High Technology, and Continue To Develop New Industries and Productive Forces

High technology, which is flourishing in today's world, is having a very far-reaching effect on production, living standards, and social developments. Vigorous development of high technology has become the strategic focus of economic construction in developed countries. China will have to follow the trend and study ways and make plans to deal with the situation. In the Seventh 5-Year Plan and up to the end of the century, it will be necessary to give precedence to developing microelectronic and bioengineering technologies in order to develop new industries in the field of agriculture. In the field of microelectronic and information technology, it will be necessary to build an agricultural natural resource information system, a national agricultural library information system, an agroecomics information system, and various large data storage, search, and simulated test research systems. It will also be necessary to build and develop such systems as a series of agricultural software and a certain amount of general support software. In the field of bioengineering technology, research in such areas as cell and gene engineering will have to be developed actively, and such new and developing industries as tissue culture, rapid propagation, and vaccine production will have to be developed vigorously. It will also be necessary to improve applied research in such fields as isotopes and nuclear and remote-sensing technologies in order to promote the growth of agricultural production.

The fields of modern high technology and new and developing technology are expanding very quickly. China will have to start at a high level, combine attacks on key domestic S&T issues with planned and selected importing of advanced foreign technology and equipment, and expand and create based on digesting and absorbing it. Developing these new technologies will be very difficult and entail certain risks. Thus, it will be necessary to unify plans, ensure a rational distribution, and proceed with caution.

5. To Develop Research in Agricultural Macrostrategy To Assist Decisionmaking by Leading Departments at All Levels

Research in agricultural macrostrategy involves a certain number of both natural and social science fields, and is an interdisciplinary, multilevel creative activity in handling and regenerating knowledge. In the Seventh 5-Year Plan, it will be necessary to closely coordinate the major tasks of the second stage of rural reform. In particular, it will be necessary to study and evaluate systematically the development of general and regional agriculture, the revision and distribution of the rural industrial structure, the technological transformation of agriculture, and the relationship of agrosience to production and economic developments, thus providing a scientific basis for making major decisions relating to agricultural growth.

The state and localities will both have to plan tasks in this area. It will be necessary to unify plans, organize forces rationally, and effectively develop research in agricultural macrostrategy.

In summary, it will be necessary to conscientiously implement the spirit of the "CPCC Central Committee resolution on S&T Reform," intensify reforms, and ensure that agricultural S&T work better serves and accords with the party's general goals and duties. Thus, it will be necessary to conscientiously accomplish the following tasks: 1) put horizontal and vertical relationships in order, and make the transition from the present semiclosed agrosociene structure, with a system wherein all works in their own unique ways, to a multilevel, systematic open one with a clear division of labor, mutual links, and widespread cooperation; 2) train agroscientists and technicians on many levels, through many channels, and in many forms; in particular, develop the advantages of colleges, universities and research units, improve the training of graduate students, and build up a great corps of agroscientists and technicians; 3) based on their respective functions in agricultural production, require a disposition in depth of the different levels of agricultural S&T, i.e., basic research, applied research, and experimental development and, while vigorously improving applied research and experimental development, require that essential basic research be stressed to solve the issue of production growth reserves; 4) improve links between technological transformation and the transformation of technology into commodities, formulate policies, improve management, link up channels, develop technology markets, and speed up the transformation of technology into commodities; 5) ensure that the agricultural S&T management structure moves from purely directive administration, to management that relies mainly on guidance of policies and plans and control of funds, while making administrative leadership and legal guarantees subsidiary. This will enable new contributions to be made in realizing the "two" transformations of agriculture, welcoming the challenges of the new technological revolution, and quadrupling the annual GVIAO by the end of the century.

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AGRICULTURE

SPECIALISTS DRAW UP PLAN TO HARNESS RIVERS

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pp 6-7

[Article by Du Yuejin (2629 6460 6651) and Li Shuzhong (2621 2885 1813):
"Specialists Are Drawing Up a Blueprint for Harnessing China's Rivers During
This Century"]

[Text] China, a country with the richest water resources in the world, is drawing up a grand plan for harnessing its rivers throughout the country. Some attractive projects are the construction and reconstruction of flood control projects in the 7 rivers of Chang Jiang, Huang He, Zhu Jiang, Huai He, Hai He, Liao He, and Songhua Jiang; the exploitation of the water resources in the middle and upper reaches of the Chang Jiang, in the upper reaches of the Juang He, and in the Hongshui He; the channeling of water from south to north; and the dredging of 4,000 km of inland waterways. These constitute an important part of the plan to harness the country's rivers which is still under discussion.

Rivers Link the Cities Throughout the Country

A view at the economic and geographical conditions of China will enable us to discover the following prominent characteristics: the population, farmland, and grain production in the regions along the 7 major rivers of the Chang Jiang, Huang He, Huai He, Hai He, Zhu Jiang, Songhua Jiang, and Liao He account for 80 percent of the country's total and their gross industrial and agricultural output value accounts for over 90 percent of the country's total. The larger part of their population, farmland, and grain production is concentrated in the middle and lower reaches of these rivers. Big cities are widely dispersed in these regions covering an area of over 1 million sq kms. Economic, political, and cultural centers such as Harbin, Shenyang, Beijing, Tianjin, Shijiazhuang, Zhengzhou, Jinan, Wuhan, Changsha, Nanchang, Hefei, Nanjing, Shanghai, Hangzhou, Guangzhou, and Nanning are located in these regions. But the land level of these regions is below the flood level. Like "carrying a basin of water on the head," these regions are under the constant threat of floods!

In addition, many cities in China, particularly those in northern China, have water shortages. The water shortage has become an important factor hampering China's economic development. Factories in cities along the Beijing-Zhengzhou line on the Beijing-Guangzhou railway, in cities along the Tianjin-Bangbu line on the Tianjin-Pukou railway, in cities along the coastline from Dalian to Qingdao, as well as in northeastern industrial cities including Shenyang, Ashan, and Changchun cannot operate on a full scale due to the water shortage.

We should also take account of the following figures. Viewed from the total volume of China's water resources, the annual surface runoff is registered at 2,610 billion cubic meters, ranking sixth in the world. But since China has a population of 1 billion, the per capita possession of water is only 2,700 cubic meters, only one-fourth of the world's per capita possession of water.

The total volume of water resources is large but the per capita possession of water is small. This has, naturally, posed a problem for China, which must find ways to harness its rivers better.

The Results of Harnessing Its Rivers

Since the founding of new China, the Chinese Government has paid close attention to the management and exploitation of its rivers. It has made an investment totaling over 100 billion yuan in the construction of flood control projects, water conservancy projects, and hydropower stations, and great achievements have been made.

--It has repaired and built over 160 thousands kms of embankments, just like a "great wall on the water" 4 times the perimeter of the globe. This has effectively helped prevent floods in these big rivers and ensure security in their middle and lower reaches. The embankments in the middle and lower reaches of the Chang Jiang, as well as around the lakes near these reaches, can help resist floods that may take place in 10 to 20 years. The flood control projects along the Huang He can help resist floods that may occur in 100 years.

--It has built over 80,000 reservoirs with a total capacity of 430 billion cubic meters, installed irrigation and drainage equipment with a capacity of nearly 80 million horsepower, drilled 2.4 million wells in northern China, and built about 25,000 sluice gates. These facilities have helped control the flow of some rivers, thereby laying a good foundation for maintaining steady increases in agricultural production. They have also played an important role in supplying water for regions with water shortages.

It has built about 20 large hydropower stations, 100 medium-sized hydropower stations, and over 80,000 small hydropower stations, with an installed capacity totaling 26 million kilowatts and an annual generating capacity of over 90 billion kilowatt hours. The installed capacity of hydropower stations in China accounts for about 30 percent of the installed capacity of the electric industry, and their generating capacity accounts for over 20 percent.

Why It Is Necessary To Harness and Exploit Comprehensively

China has paid quite a price for the above achievements. Qian Zhenying, minister of water resources and electric power, pointed out that the harnessing and exploitation of rivers in China still faces four major problems involving state construction: The problem of floods in major rivers, the shortage water problem in northern regions, the problem of the comprehensive use of water resources, and the problem of water pollution.

After recalling the country's experience in building water conservancy projects, this famous water conservancy specialist pointed out the following basic experience: The construction of water conservancy projects should be listed in the overall plan on land management so that it can be carried out in close coordination with the construction of other projects and can produce better economic results with less investment.

She said: In harnessing and exploiting rivers over the last 30-odd years, people have generally stressed transforming nature to the neglect of following the course of nature. Departments and regions do not coordinate with each other in what they do and do not follow objective and economic laws. As a result, they have gotten half the results with twice the efforts in their construction cause. For example, China has invested a huge amount of human, material, and financial resources in the construction of dams in the lower reaches of Huang He, but it has not taken effective measures to stop serious soil erosion in the upper reaches of the river. A large amount of sand has rushed down and therefore formed a very long and dangerous dike, as dangerous as a huge pile of eggs. The construction of farmlands in lake areas has reduced the capacity of these lakes to reserve water. The excessive exploitation of underground water has caused the land to subside. A large number of dams have been built for the purpose of irrigation or generating electricity, but shipping has stopped in waterways covering about 1,000 of these dams due to a lack of ship locks or ship lifts. Many waterways have been left unused for 20 years. As a result, railway and highway transportation finds it difficult to tackle their load. Take Chang Jiang as an example. As calculated by specialists, if its main waterway is utilized to the extent that the Mississippi River is used, a transportation capacity equivalent to 20,000 kms of railway will be formed; and if the shipping potential of the 70,000-km-long Chang Jiang River system is fully used, an increase equivalent to 100,000 kms of railway transport will be obtained.

These experts pointed out that to prevent the recurrence of similar mistakes, drawing up an overall plan for the comprehensive exploitation of China's water resources is a matter of primary importance. Information from the department concerned revealed that China is increasing its efforts to work out a "program for the overall arrangement of the land in the country." An important part of it involves the harnessing and exploitation of big rivers in China. These specialists hope that the past separate methods of managing the work concerning flood control, irrigation, generating electricity, shipping, the use of urban water, and environmental protection will be

changed and that big rivers will be harnessed comprehensively. In view of the fact that the 7 big rivers including Chang Jiang, Huang He, and Huai He play an important role in the national economy, comprehensively harnessing these 7 big rivers constitutes an important link in the program on land arrangement which is being drawn up. It is also the crux of resolving the water problem in China.

A New Point of Departure, a New Blueprint

The shift from the separate methods to the comprehensive ones indicates that people in economic circles have acquired a deeper understanding of how to harness big rivers.

China has, in recent years, broken away from the administrative system characterized by the separation of "departments" from "regions." It has formulated a program for comprehensively harnessing and exploiting Tai Hu, the estuary of Chang Jiang, Dongting Hu, Hongshui He, the upper reaches of Huang He, and the southern and northern canals. Part of the program is being implemented. The Ministry of Water Resources and Electric Power, which is in charge of flood control, irrigation, and the exploitation of water resources, is beginning to shift its services from one to two undertakings to the entire national economy. To coordinate the relationship between the construction of water conservancy and hydropower projects and the development of inland shipping. Qian Zhengying, minister of water resources and electric power, and Qian Yongchang, minister of communications, concluded an agreement on forming a group to discuss matters in related fields. All this indicates that China is taking the opportunity of reform to comprehensively harness and exploit its rivers.

In addition, specialists in various fields are drawing up a blueprint for harnessing China's rivers by the end of this century in light of economic and social development in the country. The outline of this blueprint is as follows:

--Flood control. The construction of projects will proceed in combination with the construction of nonprojects, and the building of dams will be carried out in coordination with soil preservation. Efforts will be made to build flood control projects in key river sections in such a way that they will be up to the standard of resisting the biggest flood ever witnessed in this century and to improve the standard of flood control projects in ordinary river sections.

--Irrigation. Stress should be laid on repairing existing irrigation projects, and an appropriate number of new facilities should be built. The present irrigated area is 700 million mu. It should be increased to 800 million mu to lay a foundation for increasing the grain output to 500 million tons.

--Generating electricity. The installed capacity of hydropower stations should be increased from the present figure of barely 30 million kilowatts

to 80 million kilowatts, and the annual generated energy from 90 billion kilowatt hours to 230 billion kilowatt hours. The exploitation rate of water resources will go up to 12 percent.

--Water supply. A number of projects to reserve and supply water should be built in various localities, particularly in regions that are short of water as a result of a change in seasons, in order to form a water supply capacity of 670 billion cubic meters. To resolve the shortage of water in the northern part of the country, efforts have been made to tap local water potential, to readjust the production structure, and to save and rationally distribute water. Apart from all this, a number of river diversion projects have started or will soon start. These are the projects to channel water from Huang He to Qingdao, the projects to channel water from Huang He to Shanxi, the projects to channel water from Huang He to Baiyangding in Hebei, the projects to channel water from Huang He to Tianjin, and the projects to channel water from Juma He to Beijing. The second phase of the projects to channel water from south to north will be completed after the year 2000. This will help resolve the serious water shortage on the Huanghe, Huaihe, and Haihe plains as well as in Tianjin city. It will also help to resolve the water supply problem for people and livestock and agricultural and animal husbandry regions.

--Inland shipping. After harnessing, 1,000-tonnage ships can sail on the Chang Jiang up to Yibin. After harnessing, the Zhujiang river system will form a water transportation net covering Guangdong and Guangxi. Huai He will be harnessed on a large scale. The channel of the grand canal from south to north will be dredged. In this way a large river system will be formed south of Huang He consisting of Chang Jiang, several canals, Huai He, Qiantang Jiang, and Zhu Jiang and linked with a sea-oriented comprehensive transportation net composed of railways, highways, and airways.

--Soil protection. Soil erosion in China occurs mainly on the loess plateaus, in the hilly regions south of Chang Jiang, and in rocky mountains in the north. In light of local conditions, comprehensive harnessing work will be carried out by combining bioengineering with civil engineering and environmental protection with production. Key projects under state assistance will be carried out in coordination with harnessing work in small river basins undertaken by tens of thousands of households. By the end of this century soil erosion on the loess plateaus will be reduced by 25 percent as compared with soil erosion in 1985. About 75 percent of Dingxi in Gansu, of the Sanchuanhe river basin in Shanxi, of the Huangpuchuan river basin in Nei Monggol, and of the Wudinghe river basin in Shaanxi will be initially harnessed. The coverage of forest in the entire region will be raised from 6 to 10 percent. Over 60 percent of soil erosion in the hilly regions south of Chang Jiang will be brought under control. The area of soil erosion in the rocky mountains in northern China will be reduced by one-third. Efforts will be made to harness the Yongdinghe and Liuhe river basins so that the area of soil erosion there will be reduced by 75 percent.

Reviewing the Chinese nation's history of harnessing rivers, we know that 4,000 years ago, Da Yu changed the method of "blocking" rivers into "dredging"

rivers, thereby bringing much benefit to the people and making a great contribution to the existence and prosperity of the Chinese nation. Today, Da Yu's method is far from adequate. In a new spirit, the descendants of Emperor Huang are using their limited river resources to make various contributions.

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AGRICULTURE

LIAOWANG ON DIVERTING RIVER WATER NORTHWARD

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[Article by Wang Kongcheng (3769 1313 6134): "The First Step in Leading Water From the South to the North--The Chang Jiang's Water Flows Northward to Areas Along the Eastern Section of the Longhai (Lianyungang-Lanzhou) Railroad"]

[Text] The Chinese people's age-old dream of using the abundant water supply in the South to irrigate the dry land in the north has now gradually come true. The water of the Chang Jiang has been artificially raised 30-odd meters to flow more than 400 km to the north--reaching areas of northern Jiangsu along the eastern section of the Longhai Railroad. In 1986, with the establishment of the Zhengji, Yanhu, and other pumping stations, the water of the Chang Jiang has continuously extended northward, some of the water flow reaching out to within Shandong. The diversion of water northward had brought life to the national economy where this area is concerned.

River Water Has Been Initially Diverted Northward on a Modest Scale

The area of Northern Jiangsu, including the five cities of Yangzhou, Yuaiyin, Yancheng, Lianyungang, and Xuzhou, represent 66 percent of the total area of Jiangsu. As far as the whole province is concerned, the area is vast but with limited sources of water. The annual precipitation distribution is quite uneven, as far as time and space factors are concerned. There are big differences between sources of subterranean water in amounts of water available. In a year of abundance, the runoff of the Huai He is 79 billion cubic meters. In a dry year, it is only 2.8 billion cubic meters. In years of drought, there is often an interruption in the flow. Since the founding of new China, a string of water conservation works has been built here. But the problem of water shortage has not been solved. What should be done? People have shifted their attention to the south. The Chang Jiang, on the southern side with its large volume of water runs through central southern Jiangsu and empties into the sea to the east. The annual runoff reaches nearly 1,000 billion cubic meters. The bold idea of "borrowing" water, after proof that it was possible was provided by a large number of experts, gave rise to the plan for the diversion of river water northward from Jiangsu Province.

The plan divided the diversion of water into two big systems--the pumping of water and the natural flow of water. The pumping of water called for taking the northern Jiangsu section of the Jinghang Canal as a route for pumping water northward and using the Hongze Hu, the Luoma Hu, and Weishan Hu as a means of regulation, with nine separate heights set up with a total net lift of more than 30 meters--with water carried to the area north of the Juai He. The natural flow of water called for taking the Xintongyang Canal as the main watergate and directing water through the Sanyang He and other river courses to the area of the Lixia He south of the Huai He. The project started with the building of the first electrically operated pumping station in Jiangdu in 1961. Up to 1986, after construction work in separate stages over different periods of time, the water pumping system had created more than 10 pumping stations, comprising Jiangdu, Huaian, Shigang, Jiangba, Gaoliangjian, Siyang, Huaiyin, Yanghetan, Xietai, and Zhengji, with an installed capacity of 250,000 kilowatts. The first station in Jiangdu had a pumping capacity of 400 cubic meters of river water per second. For water entering the Hongze Hu, it was 250 cubic meters per second. For water entering the Luoma Hu, it was 100 cubic meters per second. For water reaching Xuzhou, the capacity was 50-80 cubic meters per second. After being built, the natural river flow system showed a capacity of 450 cubic meters per second. Thus, the project for diverting river water northward was initially formed.

The Largest Pumping Station in the Far East

The first faucet of the project--the key Jiangdu waterworks--is at present the largest pumping station in the Far East. Located where the Hui He Rujiang Waterway, the Xintongyang Canal, and the Jinghang Grand Canal meet south of Jiangdu County, its core is made up of four large-sized electrically operated pumping stations, including 12 sluice gates, 2 ship locks, 2 culverts, and also fishways and diversion channels. The four stations have a total of 33 installations with a total capacity of 49,000 watts [as published]. Their pumping capacity is 460 cubic meters per second. This was the first large-sized electrically operated irrigation and drainage pumping station designed, built, created, and equipped by China on its own, taking a total of 17 years.

Compared with the first station, the fourth station showed a considerable increase in the diameter of its pumps and in the capacity and the flow of particular installations. Remote control was introduced for electrical equipment. The manufacturing cost for a given rate of flow had dropped from 136,000 yuan to 76,000 yuan. After many years of operation since the establishment of the relevant stations, the key Jiangdu Waterworks has been proved to be of good quality from planning, design, and construction to manufacture and installation. In 1982, it was cited as a national project of fine quality and awarded a gold medal.

Huge Economic Benefits

Starting from 1963, with the building of the first irrigation and drainage station in Jiangdu, the project for diverting Jiangsu river water northward

was put into operation. By the 1980's, the average annual amount of water pumped had grown five times compared with the 1960's. In 24 years, more than 37 billion cubic meters of river water have been pumped northward, over 11 billion cubic meters of water have been pumped and drained from waterlogged areas of northern Jiangsu to empty into rivers and the sea, and more than 50 billion cubic meters of river water have been diverted by natural flow. The total amount of water handled has exceeded 100 billion cubic meters, approaching the runoff of the Huang He over 2 years.

The constant flow of Chang Jiang water northward has injected urgently needed "blood" into the northern Jiangsu area in its economic development. The Xiali He area of northern Jiangsu is a low-lying area formed in the lower reaches of the Huai He over several thousand years and is dubbed a pot bottom. Of more than 15 million mu of cultivated land, 3 million-odd mu were waterlogged fields. These fields, with an accumulation of water all year round, were only good for planting single-season rice crops, with very low yields. After the building of the project for the diversion of river water northward, this low-lying area became capable of draining water in times of flood and pumping water in dry periods. Work on transforming waterlogged fields proceeded at a quick pace. All 3 million-odd mu of waterlogged fields were switched from the one-crop-a-year system to the two-crops-a-year system, with both rice and wheat grown. Grain output more than doubled. Xinghua County was the poorest county in the Xiali He area in the past. With the inflow of Chang Jiang water, annual grain output rose greatly. In the 1970's, it was more than 500 million kg. In the 1980's, it reached more than 1 billion kg. Last year, it was 1.2 over billion kg. Xinghua became the county with the highest grain output throughout the country. In recent years, it has provided the state with more than 300 million kg of commodity grain every year.

In the past, because of water shortages, Xuhuai Prefecture concentrated on growing dry-land crops. At first, it had only 2 or 3 million mu of paddy fields. With the diversion of river water northward, the area planted with rice gradually increased. Now, this area has grown to nearly 10 million mu.

In the past, the coastal area of north Jiangsu and the north shore of the Huai He had many whitish saline-alkaline beaches. These were traces of fields which had suffered from the backwash of the sea and floods. Now, with the diversion of river water northward, a string of facilities allowing drainage or irrigation have been built. Of the originally 1,000 [figure as published] mu of saline-alkaline land, more than 8 million mu have been improved to differing degrees. Barren land has turned into expanses of green.

Since the project for diverting river water northward started playing its role, drought has been fought a total of 6 times, waterlogging has been coped with 13 times, and floods have been withstood 5 times. The area with guaranteed good harvest in regardless of drought and waterlogging has been increased by 12 million mu.

Because the main route for bringing in water used by the project is the Jinghang Grand Canal, the diversion of water northward through the canal has had a stabilizing effect on the depth of the canal. In dry years, when no water is used for irrigation, to guarantee the depth of the Grand Canal for navigation, machines are specially set to work, with water being added to the canal. In recent years, an average annual amount of 250 million cubic meters of water has been added, enabling the shipping capacity of the canal, especially the capacity for hauling coal from north to south, to double. Now, the annual volume of goods transported has reached 20 million tons, an increase of 20 times compared with the early 1950's.

This project has provided Xuzhou and Lianyungang with a daily water supply of more than 1.7 million cubic meters to meet the needs of industry, urban residents, and ports. The phenomenon of power plants halting operating for lack of water and trains and warships being used to haul water, with ports suffering from water shortages, has become a thing of the past.

In recent years, relevant experts have made an analysis of the economic benefits of the diversion of Jiangsu river water northward. It is shown that the benefits realized from the existing project, with a total investment of 937 million yuan, have reached 2.377 billion yuan. The latter amount is more than twice the former. The existing project is in its "youth." As we peer into the future, given a long period of operation, the value created by it will be more attractive.

The Diversion of the Chang Jiang to North China

As far as total water and soil resources of China are concerned, North China has plenty of land but little water. The population and the cultivated areas in Haihe and the Huai He Valley account for 28 percent of those in the whole country. The volume of water available represents only 4 percent. The cultivated areas in the Chang Jiang Valley and the area south of it account for 36 percent of the total area of the country, while the amount of water represents 82 percent of the total in the country. About 300 million mu of land are affected by drought on average every year, with the Huanghe, Huaishui, and Haihe areas accounting for more than half.

Since the founding of new China, the Chinese Government has all along been exploring long-term scientific water conservation plans. In the past few years, experts have arrived at a relatively unanimous view--the diversion of river water to north China. This grand plan for the diversion of water covers three programs--the eastern route, the middle route, and the western route. The eastern route provides a relatively good basis for the diversion of water, with water directed from Jiangdu of Jiangsu through the Minghang Grand Canal and also the Nansi Hu to the Dongping Hu first to Huang He and then to Hebei Province and Tianjin--with the basins of the Chang Jiang, Huai He, Huang He, Han Jiang and Hai He formed into a unified whole. Now, the project for diverting river water of Jiangsu Province northward has laid a good foundation for the eastern route program for the diversion of water.

For a period of time, people in academic circles continued discussing such problems as whether schistosomiasis would shift to the north after the diversion of water from south to north, whether irrigated areas would be reduced to an alkaline and saline state, whether there would be environmental pollution, and so forth. With the diversion of river water of Jiangsu northward, practice has shown schistosomiasis to be subject to strict latitudinal limitations, with it being unlikely to be carried through water. As to salinity and alkalinity and pollution, so long as appropriate measures are taken, they can also be entirely avoided. A wealth of experience accumulated in the diversion of river water of Jiangsu northward in regard to planning, on site construction, project management, and so forth has provided a healthy basis for the large-scale diversion of river water northward.

In 1983, the State Council approved the program related to the first stage of the eastern route project for the diversion of water from south to north. Its main task was to direct water northward to Dongping Hu of Shandong. This would improve the water supply situation in the three provinces of Jiangsu, Anhui, and Shandong and also allow navigation from the Grand Canal to Jining.

In the past 3 years, in line with the task related to the first stage of the eastern route project for the diversion of water from south to north, Jiangsu Province has increased its work. To meet the need to direct water to the edge of the Huang He, it has carried out a series of demonstrations, surveys, programs, and designs in regard to how to divert river water on an enlarged scale, the selection of routes for conveying water, and so forth. It has also newly built Huaiyin, Tohengji, and other pumping stations along the Grand Canal and improved on Minbianhe, Xietai, Zhima, and other pumping stations increasing the capacity for conveying river water by more than 300 cubic meters per second.

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CSO: 4006/594

AGRICULTURE

EXPERTS CALL FOR HALT TO MISUSE OF ARABLE LAND

HK171505 Beijing GUANGMING RIBAO in Chinese 9 Apr 87 p 2

[Report by correspondent Xu Jiuwu (1776 0056 2976): "Experts Call for Efforts To Stop the Continuing Reduction of Arable Land:"]

[Text] "China's average arable land per capita is 1.4 mu, only 33 percent of the world average. In the last few years, more than 10 million mu of arable land has been used for non-agricultural purposes. The increase in population, the sharp reduction in arable land area, and the lack of reserve resources have posed a stern challenge for us. Central and local authorities must fully understand the seriousness of this problem and mobilize the whole of society to give equal weight to the country's decreasing arable land area and its population problem." This suggestion was made by Shi Yuanchun, Xu Xiemo and other experts at the symposium on measures to deal with the arable land problem, which was recently sponsored by the Agricultural Technology Development Center under the State Science and Technology Commission.

Experts pointed out: Although reclaiming wasteland can make up for some of the lost arable land, it cannot completely solve the ever pressing arable land problem. The area of wasteland in China that can be really turned into cultivated land is no more than 100 million mu. These tracts of wasteland are mostly located in remote border areas where natural conditions and transport facilities are poor and moreover, they require great capital outlay but promise small results. Conversely, China has a lot of medium- and low-yield land. Upgrading one mu of medium- and low-yield land to high-yield status requires only one tenth of the investment used to reclaim the same amount of wasteland but its results are 200 to 300 percent more than those of the latter. Therefore, to solve the problem of arable land, we must strictly control non-agricultural use of land, encourage rational wasteland reclamation, and curb arbitrary wasteland reclamation while basing ourselves on existing arable land with the emphasis on tapping all available potentials of the land and upgrading medium- and low-yield land. At present China has some 1.1 billion mu of medium- and low-yield land, comprising approximately 83.3 percent of the nation's arable land. At the present production level, if the medium- and low-yield land is upgraded to higher status, an additional 245.1 billion jin of grain could be harvested. In terms of our country's current technological and production conditions, it is possible to achieve this goal.

Experts contended: What counts in implementing measures to deal with the problem of arable land is relying on wise policies and use of advanced technology. In the last few years, Jiangsu, Sichuan, and other provinces and autonomous regions have worked out numerous policies of encouragement, for example, those who contract for the land should improve, operate, and benefit from the land and the right to use, operate and to benefit from the land will not change for a long time; those who invest and manage to improve the soil fertility of the land they have contracted will be compensated for their investment according to the new grade of soil fertility when they transfer the right to use the land; a graded system is introduced in land use under which those who manage to upgrade the quality of the land will be rewarded and those who degrade the quality of the land will be fined; the funds drawn from the earnings of township enterprises for agricultural subsidies should be used for among other things, improving soil fertility; and a system of labor accumulation is established under which every rural worker is required to contribute a certain amount of voluntary labor every year to improve soil fertility. These effective measures have fully aroused the peasants' enthusiasm for upgrading medium- and low-yield land, improving soil fertility, and opening up more new cultivated land. As far as technology is concerned, it is necessary to systematize and standardize the existing technologies so that they will become distinctively more practical.

Experts stressed: The reduction of arable land area is caused by 1) occupation of land for the purposes of economic construction and well-being of the urban and rural population; and 2) by soil erosion caused by natural factors, such as wind and sand, and the infiltration of salt water into inland areas, of which the problem of using arable land for non-agricultural production is most serious. Therefore, it is necessary to limit the scope of using arable land for purposes other than farm production using legal and economic measures, to strictly follow examination and approval procedures, and to levy an extra tax on land use to curb the current uncontrollable occupation of arable land for purposes other than farm production.

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CSO: 4006/593

AGRICULTURE

OFFICIAL INTERVIEWED ON ARABLE LAND TAX

OW231415 Beijing XINHUA Domestic Service in Chinese 0759 GMT 22 Apr 87

[Text] Beijing, 22 Apr (XINHUA)--The State Council on 1 April promulgated "Provisional Regulations Governing Taxes for the Use of Arable Land." A responsible person of the Ministry of Finance answered a XINHUA reporter's questions concerning taxes for the use of arable land.

Question: Why is it necessary to collect taxes for the use of arable land?

Answer: The decision of the State Council to collect taxes on all nonagricultural use of arable land is an important measure to protect land resources for agricultural purposes and to ensure stable development of agricultural production. Since China has a large population and only limited land, it must persist in a basic policy of cherishing and making reasonable use of every inch of land and protecting all arable land. Currently illegal occupation of arable land for nonagricultural purposes in both urban and rural areas continues to be a common phenomenon. During the Sixth 5-Year Plan, China lost an average of 7 million mu of arable land annually. In 1986, nearly 10 million mu of arable land was lost. If this kind of situation continues, it will have evil consequences for agricultural production, national construction, and people's livelihood and entail troubles for future generations. Therefore, it is imperative that we take effective measures to enhance land management, curb illegal occupation and illegal use of arable land, and protect precious land resources for agricultural use. Levying taxes on nonagricultural use of arable land is one of the important measures taken in this connection.

Q: Would you explain the scope of taxation on the use of arable land?

A: So-called arable land means land that is currently under cultivation (including land used for such purpose in the past 3 years), fish ponds, flower and vegetable gardens, and other land used for agricultural purpose, such as artificial pastures and coastal areas that have been engaged in agriculture and aquaculture. As for those units and individuals who use land of the aforementioned categories for nonagricultural construction, they should pay tax for the use of arable land according to law. Tax will not be collected on the use of such nonarable land as barren hills. In order to further

restrict nonagricultural use of arable land and encourage construction on nonarable land under the premise that it will not affect water and soil conservancy and ecological balance, the State has adopted this tax measure to better protect land resources for agricultural use.

Q. How are the tax rates for the use of arable land set?

A: Different tax rates are set in accordance with the size of the arable land and its location in four types of areas, and in accordance with the various types of user and land use. China's actual conditions dictate that relatively high taxes be set for areas where the population is dense, the average per capita share of arable land is small, land quality is good, the economy is developed, nonagricultural use of arable land is a prominent problem, and the masses have a strong desire to control the land; and that lower taxes be set for areas where the average per capita share of land is large and economic development is low. As for the collection of taxes for arable land, only half of the amount of the regular tax rates shall be collected for arable land used for housing construction for rural residents, but a full amount shall be collected for arable land used by one or several households for nonagricultural construction. The reason why the "regulations" prescribe different tax rates is because economic development is uneven and may differ greatly from one region to another. A region with a limited per capita share of arable land may contain economically undeveloped areas or even impoverished areas, whereas a region with a relatively large per capita share of arable land may contain economically developed areas. The different tax rates will thus provide the various localities with greater flexibility in executing the regulations according to the local situation. The "regulations" also prescribe that in special economic zones, zones for economic and technical development, and economically developed zones--areas where the average per capita share of arable land is particularly limited--the tax rates may be appropriately increased. The increase, however, should be no more than 50 percent of the regular tax rates. An additional tax of up to 200 percent of the regular tax rates may be added for those who fail to use the land for 2 years or longer--that is, the land which they were authorized to requisition or have been occupying. When a tax payer returns a piece of arable land to the land administrative department according to regulations, the taxes he has paid shall not be refunded. Land administrative departments shall, in accordance with the "PRC Law on Land Management," handle those lands for which use has not been authorized, or use has exceeded the authorized size or standards set for peasants' housing construction.

Q: How will the state use the taxes for use of arable land?

A: With the progress of socialist modernization and the growth of the population, more arable land is certainly to be used for nonagricultural construction. Thus, in addition to preserving the available land for agricultural purposes, we must compensate for the use of arable land by turning more uncultivated land into arable land, developing and exploiting sand banks and pastures, and improving the soil fertility of low-yield croplands and

irrigation facilities. The state will use part of the taxes collected from the use of arable land for the execution of such compensatory measures as well as for creating the conditions essential for developing the capacity for sustained agricultural development.

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CSO: 4006/593

AGRICULTURE

RENMIN RIBAO REPORTS ON COTTON PRODUCTION TREND

HK090529 Beijing RENMIN RIBAO in Chinese 30 Mar 87 p 3

[Roundup by reporter Chen Jian (7225 0256): "Deepen Reform, Enliven Circulation"--first paragraph published in boldface]

[Text] China's cotton output rose to 6.25 million tons in 1984. However, it continuously declined in the past 2 years. The cotton output dropped by nearly 50 percent in 1986 as compared with the figure recorded in 1984. What is the contributing factor for this decline from the peak to the bottom of the valley? How do we get out of the valley and climb up to the peak again?

The recently published 1986 state statistical communique conveys a message which has drawn wide attention: The output of cotton, China's number one industrial crop, decreased in 1986 again by 14.6 percent as compared with the output in 1985. Since the year 1985 witnessed a decrease of 33.7 percent in cotton output as compared with that recorded in 1984, last year's cotton output actually declined by a half as compared with the 1984 output!

How should we actually view this development? The impression that this reporter has obtained from the coverage of this news is that although the remarkable decrease in cotton output in the last 2 years cannot be briefly summed up by the word "good" or "bad," at least one can be sure of one thing: After the drastic increase and decrease in cotton output in the past few years, cotton production can no longer be treated lightly this year.

"Fortune Made Out of Cotton Growing": A Major Achievement of the Reform

China is one of the important cotton growing areas in the world. Cotton production has long occupied an important position in our country's agricultural economy. By 1957, China's per-capita cotton output had reached 2.6 kg a year. However, due to problems in the guidance of economic work, the per-capita cotton output dropped to 2.25 kg a year in 1978. This not only restricted the people's normal consumption but also hampered the development of the cotton textile industry. Consequently, the state was forced to import cotton with its precious foreign exchange. Before 1978, China's highest record of annual cotton import volume was 900,000 tons, with a value of over \$1 billion. At that time China was the largest cotton importing country in the world. The long-standing stagnancy in cotton production also seriously affected the growth in the peasants' income.

In the wake of the rural reform, the state has taken a series of measures to give full play to the peasants' initiative in growing cotton. The state raised the procurement price for cotton by four stages in 4 years from 1979 onward and encouraged cotton growing by giving extra grain and chemical fertilizer purchase quotas as rewards. The state has particularly forsaken the principle of "taking grain production as the key link", but implemented the contracted responsibility system linking remuneration to output, thus adding a new essential motive force to cotton production. So cotton output increased drastically, from more than 2.16 million tons in 1978 to over 6.25 million tons in 1984, and this has brought about a series of important consequences: The long-standing cloth coupon system, which was aimed at restricting consumption of cloth, has been annulled; China as the largest cotton importer, has been turned into a cotton exporter; the cotton textile industry has begun to develop rapidly; the monoculture structure, which included "grain production is taken as the key link," has been abolished; and the peasants' income has increased remarkably. From 1978 to 1984, the increase in cotton output raised the peasants' income by over 30 billion yuan, and the "fortune made out of cotton growing" has become an important means to eradicate poverty among the peasants, especially those in the new cotton growing areas with impoverished soil and a shortage of water. But the wide-margin increase in cotton output has also brought about negative consequences. Excessive surplus may also cause trouble. That is what commodity production is.

Decline: Has the Cotton Output Dropped to the Bottom of the Valley?

Due to the excessively drastic growth in cotton production, cotton "overstock" suddenly became a common phenomenon throughout the country. From 1984 on, the state has had to send out signals urging peasants to appropriately cut their cotton output: price subsidies have been suspended, the policy of encouraging cotton growing by giving grain or chemical fertilizer as rewards has been forsaken, and the procurement prices have been changed again and again. The phenomenon of change in cotton prices corresponding to changes in the market is still acceptable to the peasants. But the "overbearing" practices of the forced downgrade of procured cotton and rollbacks "have seriously hurt" the peasants. In the history of cotton procurement in China, 1985 was the year when procured cotton had the shortest average yarn, the lowest ratio of ginned to unginned cotton, the worst quality, the lowest average grade, and the lowest average price. A thorough investigation conducted in Shandong Province later indicated that most of the investigated cotton procurement stations had failed to follow set procedures.

It was under such circumstances that the cotton output declined from its peak of 1984. It should be admitted that this was a choice made by the state and, in another sense, a choice made by the peasants in the conflicts and contradiction between the new situation and the old structure. But, anyway, drastic rise and decline is not what we want to see in the long term.

While the cotton output has continued to decrease substantially in the past 2 years, the cotton consumption structure has undergone some adverse changes:

the cotton export volume has been doubled, the total consumption of cotton, including cotton exports, increased in 1985 by 39 percent over the previous year, and then increased again in 1986 by 11 percent. Now the annual consumption of cotton has already exceeded the annual cotton output. While the "overstock" of cotton witnessed in the past few years is diminishing, a trend of demand exceeding supply is emerging. The department concerned has already issued a warning: the annual cotton output can brook no more decreases and must be raised to around 4.5 million tons in 1 to 2 years.

Great Efforts Must Be Made To Carry Out the Reform Well

But it is by no means easy for us to quickly raise the annual cotton output back to the level of 4.25 to 4.5 million tons because there are some changes in the situation.

First of all, the producers have changed. After being tossed around for several years, most peasants now prefer growing crops that may promise them a more stable and higher income, such as watermelons, fruit trees, grain, and so on. And this is the case even in areas suitable for cotton growing. By the way, the peasants have cultivated a better selective ability and have had their range of choices expanded in the past few years.

Second, as China's agriculture is underdeveloped and the shortage of production means is a common phenomenon throughout the country, various localities are influenced to a varying degree by the mentality of preferring growing grain to cotton--they "feel justified in promoting grain production but have a lingering fear of growing cotton."

This year, while reiterating that no upper limit will be set on the quality of cotton procurement and that chemical fertilizer will be sold to cotton sellers as a reward, the state has also widened the margin of cotton price rises and raised the price of cottonseed oil. Now that the signal has been sent out, will it result in an increase in cotton output? Some specialists have pointed out: In order to maintain a steady increase in cotton output, more efforts have yet to be made to carry out the reform well.

China's cotton production is subject to the restriction of the fact that the country has a large population but a scarcity of farmland and that both labor and opportunity costs are increasing. Therefore, it is now more and more obvious that excessively low prices are unacceptable. The status quo of the cotton textile industry in China determines that the excessively high cost of raw materials is intolerable. In addition, the state cannot possibly pay a considerable amount in subsidies. Since all these basic restrictive conditions can hardly be changed, we have to try our best to lower the circulation cost of cotton in the interests of the people, textile mills, and the state. Due to some factors relating to the structure, some circulation departments have shown an obvious tendency of contending with peasants and plants for profits--in many places the circulation cost of cotton has accounted for over 15 percent of the cost that plants pay to purchase cotton, while the varying circulation forms characterized by direct transaction

between industry and agriculture, fewer links, and lower costs that had been practiced for a while a few years ago have failed to become popular. Some "old cotton growers" have pointed out sharply: In the past few years, a "double-track system" has been practiced in grain scales, live pigs have been marketed through various channels, and the restrictions on the sale of most agricultural and sideline products have been lifted. Now that the economy, involving tens of thousands of peasant households, has been basically invigorated, is it possible to introduce a more flexible cotton procurement and sale system to further enliven, protect and promote cotton production? If it is not possible to lift all the restrictions, will it be possible to lift some restrictions? If cotton procurement and sales must be kept under control, will it be possible to adopt more flexible measures regarding cotton-seed oil?

All these problems must be explored and resolved in the ongoing reform.

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CSO: 4006/593

AGRICULTURE

SICHUAN TOBACCO PRODUCTION MUST CONCENTRATE ON QUALITY

Chengdu SICHUAN RIBAO in Chinese 6 Mar 87 p 2

[Article by Shen Yan [3088 3508] and Xu Yuanliang [6079 0337 0081]: "Sichuan Tobacco Working Conference Reveals Tobacco Production Faces Promising Opportunity for Development; This Year Output and Quality of Flue- and Sun-Cured Tobacco Will Greatly Restrict Cigar and Cigarette Production, While the Consumer Market Will Cause Production Plants to Place New Demands on Tobacco Bases"]

[Text] It has been revealed by the Sichuan Tobacco Working Conference that the overall production and marketing situation in the 1987 tobacco market is that there has been a major decline in sources on the international tobacco market, and prices are rising; domestic tobacco production has dropped sharply, with the quantity of medium and superior grades of flue-cured tobacco, particularly the superior grades, being grossly inadequate to meet the demand from the cigarette industry. Sichuan's cigarette production has been limited by the raw material situation, and tobacco production now faces a promising opportunity for development.

In 1986, China's main flue-cured tobacco producing provinces of Yunnan, Shandong, and Guizhou suffered natural disasters that caused varying degrees of production decline. In 1986, 9 million dan less of tobacco was purchased in this country, corresponding to approximately one-third the planned purchases for that year. In particular, there was a 5 million dan decrease in production of the Medium 3 and Superior 2 grades of flue-cured tobacco. However, the demand in the 1987 cigarette market for high-quality brand-name cigarettes and Grade A cigarettes is increasing, and there is a corresponding improvement in quality, so that the conflict in supply and demand for the raw material will necessarily become more acute. There will be a significant shortfall in superior and medium grades of flue-cured tobacco, especially the superior grades, and there will still be overstocking of the inferior grades.

Sichuan tobacco production also declined somewhat in 1986. Natural disasters caused a decrease in production of flue-cured tobacco, and sun-cured tobacco also failed to meet the original plans. In 1986, 1.57 million dan of tobacco was purchased in Sichuan; of this, 1.07 million dan was flue-cured, a 5.2-percent decrease from the previous year. Because of the shortage of raw material, it is forecast that by the end of June this year stocks in

industrial and commercial warehouses will be 80 percent below the levels of the same period in 1986. After sustaining large increases in production and quality for 4 years, there will be a severe shortage in Sichuan's tobacco production for the first time.

There are also other factors in the declining production experienced by China's tobacco-growing provinces. In particular, the vertical penetration of reforms of the economic system in both cities and the countryside have promoted an increase in the components of the rural commodity economy and have caused major changes in market price parities for all types of agricultural and sideline products. The rural means of production and the labor force have correspondingly shifted over to products that facilitate an increase in profits, and this has meant that the area planted in tobacco and its output has declined.

Because of the above factors, the tobacco production and marketing situation in Sichuan in 1987 can be summarized as follows: the quantity and quality of production of flue- and sun-cured tobacco has greatly restricted the production of the cigar and cigarette industry, whereas consumption of cigars and cigarettes will cause producers to place even greater demands on the tobacco-growing bases. It is forecast that in 1987 Sichuan's cigarette production will require more than 1.5 million dan of raw material; of this, the most severe shortage will be felt in the raw material for 100,000 cartons of Grade A cigarettes, which corresponds to market demand and which must be met. There will also be a corresponding shortage in the supply of medium-grade tobacco required to increase the proportion of Grade B cigarette production. Therefore, the output and quality of Sichuan's tobacco production must be vigorously developed. Since some of the 1987 tobacco production must be put in reserve for use in 1988, if the factor of increased cigarette consumption in 1988 is taken into account, there would be a market for 2 million dan, assuming that 1987 provincial tobacco production can assure that these quality proportions are met in 1987.

According to the above analysis, Sichuan's tobacco-producing areas should conscientiously implement the policy of "planned planting, focusing on quality, adapting production to quality, implementing reforms, and improving results." This year's tobacco production should employ such measures as regional specialization, improvement of cotton varieties, and standardization, and should aim at improving the quality of tobacco products and increasing the proportion of superior grades of tobacco. First, the relationship between increasing output and improving quality should be straightened out in an effort to achieve a greater breakthrough in the quality of high-grade tobacco. In particular, the emphasis should now be on not giving tobacco growers misinformation, allowing them to think that because there is a tobacco shortage they can pursue quantity at all costs. With a tobacco shortage, quality should be taken even more seriously; the point of attack for increasing production should be increasing the proportion of tobacco grades, to produce more superior- and medium-grade tobacco, thereby increasing economic income. Second, in addition to continuing to popularize improved varieties, plastic sheet mulching, lowering density, and topping and removing branches, close attention should be paid to tobacco maturity, curing technology, reasonable application of fertilizer, using proper methods with

improved varieties, and other key techniques and measures, and proper prevention and treatment of pests and diseases. In addition, effective economic policies should be implemented to readjust economic interests, formulate planting plans, and fulfill the province's 1987 plans for increased tobacco production.

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CSO: 4006/467

AGRICULTURE

BRIEFS

PEASANTS' FOOD COSTS--Beijing, 17 Apr (XINHUA)--According to an investigation by a rural investigation team of the State Statistical Bureau, China's peasants spent 56.4 percent on food last year out of their total living expenditures, representing a decrease of 1.4 percent compared with the preceding year, and 11.3 percent compared with 1978. China's peasants now have more money to spend on production, housing, cultural entertainment, and other purposes. [Summary] [Beijing XINHUA Domestic Service in Chinese 1052 GMT 17 Apr 87 OW] /6662

ANHUI RAISES COTTON PRICES--The Anhui Supply and Marketing Cooperative and the Anhui Pricing Bureau have issued a joint notice that, in accordance with centralized state procedure, beginning when this year's new cotton comes onto the market the purchase price of cotton will be appropriately raised. The notice stipulates that the price in the cotton-growing region south of the Huai He will be adjusted from the original "positive 4 : 6" to "5 : 5 sale," so that price for standard grade (Grade 3, 27 mm) ginned cotton will go from the original 35 yuan per 100 kg to 43.74 yuan; in the region north of the Huai He (including Huoqiu and Jinzhai counties) the price will be adjusted from the original "inverse 4 : 6" to "inverse 3 : 7," so that the price for standard grade (Grade 3, 27 mm) ginned cotton will be raised from 52.48 yuan per 100 kg to 61.24 yuan. The notice also stipulated that all of this hike in the cotton purchase price will be borne by the state's financial departments; retail prices for cotton textiles and wadding on the market will not change. Cotton growers in all areas should be informed of this, in order to encourage the peasants to plant more and better cotton. [Text] [Hefei ANHUI RIBAO in Chinese 10 Mar 87 p 1] 13322

JIANGSU AGRICULTURAL LOANS--As of the end of March, agricultural banks and credit cooperatives in Jiangsu Province had allocated 860 million yuan in agricultural loans, an increase of 300 million yuan over the same period last year. [Excerpt] [Nanjing XINHUA RIBAO in Chinese 17 Apr 87 p 1]

ZHEJIANG AFFORESTATION--As of the end of March, Zhejiang Province had afforested 1,812,000 mu, exceeding the annual plan by 21 percent; 26.4 percent of the afforested area is economic forest. [Excerpts] [Hangzhou ZHEJIANG RIBAO in Chinese 9 Apr 87 p 1]

SICHUAN AFFORESTATION--As of the end of March, Sichuan Province had afforested more than 2,010,000 mu. [Excerpt] [Chengdu SICHUAN RIBAO in Chinese 6 Apr 87 p 1]

YUNNAN PLASTIC FILM--As of 8 April, the 22 enterprises that manufacture plastic film for farm use in Yunnan Province produced 2,712 tons, a record high. [Excerpt] [Kunming YUNNAN RIBAO in Chinese 11 Apr 87 p 1]

CSO: 4006/608

LABOR

DISTRIBUTION ACCORDING TO WORK IN PRELIMINARY SOCIALIST STAGE

Beijing JINGJIXUE ZHOUBAO in Chinese 8 Feb 87 p 2

[Article by Xiao Liang [0879 0081]: "Distribution According To Work in a Commodity Economy Differs from the Marxist Vision"]

[Text] As I see it, distribution according to work during the preliminary socialist stage essentially raises two issues. First, at a time when the level of productive forces is not high, can distribution according to work be fully carried out? Second, how does distribution according to work in a commodity economy differ from that envisioned by Marx?

(1) Lenin wrote in his article, "The Mission of the Proletariat in the Nation's Revolution," "From capitalism, man can only move to socialism, that is, public ownership of the means of production and distribution according to work." It can thus be inferred that public ownership of the means of production and distribution according to work are the basic characteristics of socialism. But that is true only if we look at the broad picture. In the preliminary stage of socialism, public ownership of the means of production does not preclude the existence of a plurality of economies, with public ownership playing the leading role. Similarly, distribution according to work does not rule out distribution according to funds or the fruits of business up to a point. There are specific areas where public ownership does not prevail or where distribution is not according to work. On the whole, however, public ownership occupies a dominant position and distribution according to work is the primary principle of income distribution.

(2) In "Das Kapital," particularly the "Critique of the Gotha Program," Karl Marx talked about using labor as the yardstick for distributing personal consumer goods. That is exactly what we call distribution according to work. This kind of distribution is conditional upon the absence of a commodity economy, the social ownership of all means of production, and human labor having become direct social labor, conditions which do not exist in reality. Put it differently, real-life conditions differ significantly from the Marxist vision. But can we thus conclude that since conditions envisioned by Marx do not obtain in reality, distribution according to work does not exist? I think not, because distribution according to work is related to the socialist principle of public ownership. Also, I believe we should look at the substance of a matter. As long as labor is used as the yardstick of

distribution, we should regard that as distribution according to work even if the other conditions are absent.

(3) The academic community in China is still divided over the question of distribution according to work today. Let me just discuss my personal views here. To me, the laws of distribution according to work have been altered under a commodity economy. That is, only when we fully implement distribution according to work rigorously and summon the courage to widen the earnings gaps between workers to bring the earnings into conformity with the differences in their labor can we have distribution that really promotes production. But distribution according to work in a commodity economy indeed differs substantially in the following aspects from that envisioned by Marxism:

First, in a non-commodity economy, human labor is direct social labor and constitutes part of total social labor right from the start. Thus it is entirely possible to distribute consumer goods according to the amount of labor time expended by individual workers. It is certainly too early to tell whether or not this can be achieved. Let us just consider it hypothetically. In a commodity economy, what people offer is individual labor. Many units of individual labor make up collective labor, which is then transformed into products and hence commodities. Only after a commodity is sold on the market does individual labor obtain social recognition and become transformed into social labor. And only then can laborers be compensated according to the labor realized. In other words, what is available for distribution is labor recognized by society, namely enterprise earnings.

Second, in a non-commodity economy, the state or society is the main distributor according to work, as manifested in uniform wage standards and methods formulated by the state and direct distribution by the state. The enterprise is nothing more than a link in the middle. In the past, distribution according to work within public ownership was based on this model and has led to many drawbacks. In a socialist commodity economy, enterprises are self-managed commodity producers and operators responsible for their own profits and losses. Thus distribution according to work must be achieved mainly through enterprises. Within the framework of national policies and laws, the enterprises should be free to distribute on their own and in the light of their business conditions. That is why I also think that distribution according to work in a commodity economy is the theoretical basis for wage reform in China.

Third, it can be determined from the above two points that given a non-commodity economy and the social ownership of the means of production, equal labor can be exchanged for equal product throughout society, distribution according to work being the only distribution principle. In a commodity economy, on the other hand, equal labor can be exchanged for equal product only within enterprises. Among enterprises, differences are inevitable. That is, the compensation for expending a certain amount of labor at enterprise A may be different from expending the same amount of labor at enterprise B. This situation comes about because some enterprises are better managed than others and some realize a higher value than others. This type of difference is inevitable in a commodity economy. Otherwise, the interests of enterprises and workers will not be respected and the initiative they show in their hard

work, both labor and management, will not be reflected in distribution. Moreover, apart from distribution according to work, there are other distribution principles in a commodity economy, such as distribution according to capital and the results of business operations.

Fourth, in a non-commodity economy, after a worker provides society with labor, he receives labor certificates that testify to the amount of labor time he has put in. Labor certificates in hand, he goes to the general social products center to collect the equivalent personal consumer goods. Labor coupons are certificates with the products the individual worker collects. In a commodity economy, on the other hand, what a worker obtains in return for offering his labor to a collective is money wages that reflect the labor realized. Money wages can be divided into nominal wages and real wages. Armed with nominal wages, the worker shops for the consumer goods he needs. In the real world, however, prices and value often do not march in step. Add the supply-and-demand factor and the effects of policies, and you have a situation where the consumer goods a person purchases is not necessarily consistent with the currency value of his wages. This demonstrates that distribution according to work in the real world is subject to the law of the commodity economy--the law of value, a far cry from the situation described by Marx. Put it another way, the commodity economy transforms the principle of distribution according to work.

Also involved here is the question whether or not labor is a commodity. If labor is a commodity, then wages are the currency manifestation of labor value. While I oppose simply regarding labor as a commodity, I also oppose saying categorically that it is not a commodity. I would say that labor has the attributes of a commodity. The integration of labor with the means of production goes through an exchange process of mutual selection. In a certain sense, therefore, distribution according to work is influenced by the supply and demand of labor. Specifically, under distribution according to work, we determine the absolute wage level according to the labor realized and fix the relative wage level according to the supply and demand of labor.

(4) Now let us answer the two questions posed at the beginning of this article.

First, in the preliminary socialist stage, when the level of the development of productive forces is not high, distribution according to work cannot be carried out in full but is only achievable in a qualified way. This means two things. First, coexisting with distribution according to work is distribution according to capital and the results of management, which circumscribes distribution according to work somewhat. Second, in places where productive forces are backward and basic subsistence needs are unfulfilled, distribution according to work must be limited by the necessity to satisfy such needs first. Here distribution differences cannot be widened to reflect differences in labor. This viewpoint was raised during the discussion in 1978 about distribution according to work. It seems quite reasonable today.

Second, in a commodity economy, the targets of distribution according to work are limited to commodity producers and enterprises. Differences among enterprises are unavoidable. Of course, to prevent these differences from widening excessively, the state can regulate them through administrative and

other measures, redistributing primary distribution. But eliminating these differences will militate against the development of productive forces.

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POPULATION

NATION ON THRESHOLD OF ANOTHER BABY BOOM

Beijing LIAOWANG [OUTLOOK] in Chinese No 7, 16 Feb 87 p 24

[Article by Xia Guixiang [1115 2710 4382]: "China On the Threshold of Another Baby Boom"]

[Text] For 12 years between 1962 and 1973, China had a continuous baby boom. Now it is at the threshold of another baby boom.

Looking back at the history of population growth in China, we see an uneven course: two peaks separated by one valley.

In the early 1950's, land reform led to production development and improved living standards. This created unprecedentedly favorable conditions for reproduction and brought about the first baby boom.

From 1952 through 1957, China's birth rate topped 3.1 percent.

The first baby boom was followed by a brief lull when people had difficulties making a living in the economic recession resulting from the "Great Leap Forward" and natural disasters. The birth rate dropped significantly. From 1958 to 1961, the birth rate reached only 2.3 percent. This marked change can be described as a classic example of the way population growth is conditioned by the economic situation.

Since 1962, the birth rate has begun rising again on a scale large enough to offset the earlier decline. That year alone the birth rate jumped more than one-fold to 3.72 percent, up from 1.813 percent in 1961. It continued to expand rapidly in 1963, hitting 4.36 percent. In the next decade the birth rate stayed at a fairly high level, exceeding 3.4 percent for 6 years. The average annual birth rate for the next 12 years after 1962 was a high 3.414 percent. On average 26.49 million people were born each year. During this 12-year baby boom, a total of 317.9 million people were born, equivalent to 1.14-fold of the Soviet population, 1.34-fold of the U.S. population, and 2.63-fold of Japan's population, in 1985. A baby boom of this massive magnitude is rare in fertility history, both ancient and modern, Chinese and foreign. This was the second baby boom since the founding of the People's Republic.

The 300 million babies born in China between 1962 and 1973 range in age from 13 to 24 today, gradually approaching their own marriage and fertility years. The remaining years of this century are exactly the time when most of them will get married and have children. The cyclical principle of human reproduction poses us with a stark reality: the second baby boom is likely to repeat itself. China now faces a critical choice in its population development: it is at the threshold of another baby boom. What a way to go? The answer lies in population control.

Changes in demographic structure complicate population control, which is currently at a critical stage.

China is a veteran in population control. In 1974, China began implementing a highly effective policy of family planning to control population growth in a planned way. In a short 12 years, the birth rate fell from 2.793 percent in 1973 to 1.78 percent in 1985. This decline testifies to the remarkable success of China's population control policy. At the moment, however, the population situation leaves no room for optimism.

In the next 13 or 14 years, at least 11 million young couples will get married or start families on the average each year. The number of newly-wed couples may increase by 4 or 5 million annually compared to a decade or so ago. Thus even with the one-child policy, the number of births will total 4 or 5 million. Clearly, sustained population growth at this rate will lead to a new baby boom. Thus the population control task has become extremely arduous. We can only go all out to promote late marriage and late parenthood, thus scattering the child-bearing years which are now highly concentrated. Moreover, effective measures must be taken to reduce second or multiple pregnancies outside the plan. Only by bringing down the birth rate as much as possible can we prevent or moderate a new baby boom. Because of our birth control efforts in the last 10 years, the birth rate has dropped to a fairly low level, which means that there is very little room for continued reduction in the future. Moreover, following the introduction of the production responsibility system in the countryside, rural families have become energized as production units and labor force has emerged as a family's "pillar." The demand for male labor force is particularly acute. This objectively intensifies the desire for children among China's rural population, who make up the bulk of the nation's total population. Changes in the demographic structure have made even more stringent demands on population control work.

It is the party's well-considered policy to limit the population to 1.2 billion by the end of the century. The threat posed by the increase in the number of people in marriage and reproduction years to the achievement of the nation's population objectives cannot be ignored. Population nationwide stood at 1,045,000,000 at the end of 1985. The Seventh 5-Year Plan proposes that the natural population increase rate average 1.25 percent a year, or 13 million people. By 1990 China's population will burst through the 1.1 billion barrier. Only if the average annual population growth does not exceed 10 million and the natural population growth rate stays below 0.9 percent in the remaining 10 years of the century can we ensure that national population will be contained at about 1.2 billion by the year 2000.

"Half of those who set out to walk 100 li can last only 90 li." Population control in China has reached a critical stage. There are just 14 years left in the century. Only if everybody in the nation strictly controls population growth in accordance with national policies on a sustained basis can our set objectives be achieved. Otherwise, not only will the success of population control in the previous 10 years go down the drain, but the next century will also be affected, including the course of economic and social development. This is a serious matter that every Chinese should ponder over long and hard.

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PRC MEDIA ON FOREIGN ECONOMIES

PRC COMMENTS ON SOVIET DEVELOPMENT STRATEGY

HK240726 Beijing GUOJI WENTI YANJIU in Chinese No 1, 13 Jan 87 pp 21-27

[Article by Gao Chuanling (6753 0278 3781): 'A New Soviet Strategy for Social-Economic Development'--passages within slantlines published in bold-face]

[Text] /For the sake of strengthening the economic and military strength to stabilize the domestic political situation, and to cope with such challenges as the arms race and the world's new technological revolution, the Soviet Union has formulated a new strategy for accelerating its social-economic development. The characteristics of the new strategy are: the guiding ideology is freer: more emphasis is placed on the economic growth rate and comprehensive integration; and diplomatic relations are much closer. Whether or not this general goal of the new strategy can be realized depends on the work in the first five years when economic management reforms are the focal point. There are both advantages and disadvantages in reforming the economy. They may bring about remarkable achievements. But it is by no means easy to fulfill the anticipated goals in every sense;/

After assuming the post of general secretary of the Soviet Communist Party, Gorbachev summarized the Soviet Union's experience in social-economic development over the past dozen years and, by basing it on the situation in the Soviet Union and abroad he proposed a new strategy for developing the Soviet Union's economy. His proposals were adopted at the 27th CPSU Congress. Since this new strategy will exert great influences on Soviet social-economic development in the near future, this article attempts to conduct a preliminary analysis on the new strategy for Soviet social-economic development.

1. The Background and Purpose of Proposing the New Strategy

The Soviet Union's new strategy of "accelerating development" is a result of the complicated situation in the Soviet Union and abroad.

Judging from the Soviet Union's situation, their traditional economic management system had long been "outdated." Little progress was made in implementing the principle of carrying out intensive work. Also, numerous problems have cropped up over the years during its social-economic development. For the sake of strengthening the economy and military power and to stabilize the

domestic political situation, it must carry out a new strategy to accelerate social-economic development.

Gorbachev assumed office at a time when Soviet society and the economy faced a difficult situation. The characteristics of the situation at that time were: First, the economic growth rate had continually dropped since the 1970's and it even dropped very sharply in the 1980's. Let us take the comprehensive economic indicator, national income, as an example. In the first half of the 1980's (1981-1985), its annual average growth rate was 3.1 percent, or only 43 percent of the 7.2 percent growth rate in the second half of the 1960's (1965-1970). This figure fell far behind the country's required minimum economic growth rate (4 percent). At the same time, the growth rates of many other important economic indicators also dropped by varying degrees. Second, the pace of improving economic results was slow. Between the late 1960's and early 1970's the Soviet authorities proposed, under a condition in which factors for extensive social reproduction operations no longer functioned properly, the principle of switching economic development the road of carrying out intensive work. Later, the 26th CPSU Congress further adopted it as the party's new economic development strategy. In fact, the principle of carrying out intensive work is impractical and efforts to improve quality and efficiency bring fruitless results under traditional economic and political systems. As of 1985, about 2/3 of Soviet national income still depended on the introduction of factors; whereas the intensive operations only accounted for 31 percent. In view of the fact that the Soviet economy was marked by poor quality, inefficiency and waste, Gorbachev sharply pointed out: The Soviet economy has become "an economy of wasting things." Third, beginning in 1979, agriculture experienced successive negative growth and the conditions for developing energy resources sharply deteriorated. Furthermore, in 1983 when the first absolute drop in oil output occurred, its communications industry was unable to satisfy economic development needs. Also, its capital construction front was too extended, there was a tight financial situation, etc. Because of the emergency of these problems the Soviet economy's status in the world dropped. Its exports lacked competitiveness and there were shortages in the domestic market. Beginning in the mid-1970's the Soviet Union lost its advantage in terms of intermediate and long-term growth rates in the Soviet-U.S. economics race. In 1983 and 1984 the growth rate of the Soviet economy lagged behind that of the United States for the first time. Meanwhile, the Soviet Union suffered a setback and was unable to catch up with the U.S. economy. Comparing the primary economic indicators of the two countries in 1985, one finds that the Soviet economy remained at the level of the mid-1970's. If it does not strive to put an end to this situation, Soviet economic strength will, after a few years, probably be behind Japan's and ranked second.

Economic development is the material base of social development. Because of problems in economic development, as well as the issue of acting in a one-sided manner in certain areas of the guiding ideology, such as stressing quantity and neglecting quality, and stressing production and neglecting consumption, Soviet social development, particularly the construction of apartments, was seriously affected. Over the years, the supply of food and many other consumer goods failed to meet demand; there was a tense housing supply situation; cultural facilities were backward; and people's living and working conditions were poor.

The masses were thus generally dissatisfied with the social situation. Since problems in the social realm exert direct influences on people's thinking, Gorbachev said: 'To gear to the needs of society is a nationwide urgent task.'

Internationally, the Soviet Union faced a series of unpleasant challenges which urgently required forceful countermeasures.

The recent round in the arms race which was launched by the United States is the most serious international challenge faced by the Soviet Union in years. It is widely known that during his first presidency Reagan revived the U.S. economy and regained the national prestige so that there was a change in the balance of global strategic power in favor of the United States. Based on this fact Reagan took further steps after entering his second presidency and by depending on the economic and technological advantages of the United States, launched a new round in the arms race which focused on strategic defense schemes. One of his basic aims was to erode Soviet economic strength, to drag Gorbachev's heels in the area of rejuvenating the Soviet economy, to widen the economic and technological differences between the two countries, and to ultimately upset the current balance of strategic power to achieve military advantages over the Soviet Union. At the same time, the Soviet Union encountered the challenge of the world's new scientific and technological revolution. This shows that they are pioneers in the world's new scientific and technological revolution. Originally, the Soviet Union was at least 10 years behind the most developed Western countries in high technology. What made things worse was that the Soviet Union was caught unprepared and entered the revolution late. But Gorbachev realized the seriousness and urgency of this issue. After assuming office in his economic work he gave top priority to the convening of a nationwide work conference on scientific and technological advancement. Later, he further stressed at a plenary session of the central committee: We must 'determine the party's economic strategy in accordance with the in-depth development of the scientific and technological revolution.' Besides, the many kinds of economic reforms being carried out in socialist countries were also challenges to the Soviet economic system. Various economic reforms consecutively carried out among the Eastern European socialist countries since the 1950's brought about positive economic results in varying degrees in these countries. When the 1980's came, new surges of reforms emerged in these countries so that these reforms developed in an extensive and intensive way. China recently started reforms that focus on urban areas, after achieving successes in reforms in rural areas. Reforms in the above countries have not only challenged the Soviet economic model but also touched on the status of the Soviet economy among socialist countries. In the past the Soviet Union adopted a negative attitude by resisting or opposing this kind of challenge. After Gorbachev assumed office, however, he assessed these reforms with a positive attitude and held that only when there were 'fundamental reforms' in the Soviet economy could there be scientific and technological achievements, as well as rejuvenation. The Soviet Union 'must also accelerate its economic development because of external conditions.' Gorbachev stressed: 'We must thoroughly and fully understand the challenge of the times.'

In our present world, the essence of the Soviet-U.S. rivalry is the comparison of the two countries' military, scientific and technological, and economic strength. Facing a severe situation in domestic social-economic development, as well as various challenges abroad, Gorbachev realized that whether or not Soviet socioeconomic development could be expedited affected the major issue concerning the Soviet Union's future international status as well as its destiny. Therefore, after entering the Kremlin he was determined to rejuvenate the Soviet economy and to accelerate socioeconomic development. At the April plenary session of the CPSU Central Committee held in 1985, he formally proposed his strategic idea on accelerating the country's socioeconomic development. After constant development and perfecting, his idea was adopted by the 27th CPSU Congress, which defined the work of accelerating development as the strategic principle for Soviet socioeconomic development in the future.

2. The Basic Contents of the New Strategy

The core of the Soviet Union's new strategy is to accelerate the pace of socioeconomic development. This is the general principle for Soviet socioeconomic development up to the turn of this century. It consists of three basic parts, namely, the strategic goals, the strategic steps, and the strategic measures.

At the 27th CPSU Congress, Gorbachev said in his political report: We should develop production in an intensive way and achieve a sharp turn in the area of improving quality and efficiency. Based on this we should link the building of a fully developed socialist production system to the development of a sophisticated and highly organized transition period which is marked by a rational economic mechanism and good results. This is our strategic line. The general goal of the Soviet Union's new strategic line is: Within the next 15 years, that is by the turn of this century, to strive to boost national income and industrial output value by 100 percent each (the annual average growth rate will be 4.7 percent); to increase productivity by 1.3 to 1.5 times; in national income to cut energy consumption by 40 percent and metals consumption by 50 percent; and to strive to solve social problems and constantly improve the people's living standards in terms of material supply and culture.

In order to achieve this strategic goal the new strategy plans to conduct development in two steps--the first 5 years (1986-1990) and the latter 10 years (1991-2000). According to the plan the main task of the first five years is to rationalize various economic relations through readjustments and reforms; to accelerate scientific and technological advancements; to mobilize the initiative of various sectors; to add new vitality to the economy and to put an end to the decreasing economic growth rate to lay the foundation for accelerated economic development in the following decade. The annual average growth rate in national income in these 5 years will be 4.1 percent and that of industrial output value will be 4.6 percent. The following decade will be the time for rapid development. It is planned that during these 10 years the average annual growth rate will be 5.1 percent and that of industrial output value will be 4.9 percent.¹

The major measures which the Soviet Union will take to achieve its new strategic goals include reforms in the economic and management systems, expedition of scientific and technological development, and readjustment of the economic structure as well as the principle of capital construction.

Reforms in the economic system are the key issue among various measures. The underlying direction of these reforms is to correctly handle the relations between the state and enterprises and supervision of the upper organs and transfer the functions of management directly to enterprises to popularize the practice of setting economic quotas so that enterprises will gradually become completely independent accounting units which will improve their initiative and sense of responsibility. In administrative organs the Soviet Union streamlines the army and the government, clearly defines duties, and improves efficiency. It stipulates that the main function of the State Planning Commission is to solve and provide suggestions on such major issues as development speed and ratio, a balanced development and policies on the investment structure. Ministries should focus on long-term planning, the determination of the most important ratios, the centralization of policies on technology, and the adoption of the latest scientific and technological achievements. Departments and commissions which have similar functions will be given the authority to supervise different sectors and administer different departments. For example 11 departments engaged in the machine-building industry were merged into a bureau of machine-building industry under the Council of Ministers. The Agricultural Ministry and five agricultural departments and commissions were abolished and replaced by the State Commission for Agriculture and Industry, and so on. The Soviet national industrial combine was abolished and replaced by the two-tier management system comprised of the ministry and enterprises. Through the above reorganization and reshuffle over 100,000 redundant staff members were dismissed. The positive role of commodity monetary relations, which is stressed in the reforms, requires managing the economy by economic means. The light industry will take commercial orders as its basis for planning. The supply of the means of production will, in the form of trial implementation, be in wholesale trading instead of centralized allocation. The present pricing system will be reformed in such a way that prices will reflect the consumption of production, as well as the useful value and the supply-demand relationship between products. Furthermore, the set price and contract price will be comprehensively utilized. In agriculture it is urged that Lenin's thinking about the new economic policy must be applied to the formulation of reform measures. For example, the system of setting planned quotas is popularized, in which farms can handle the overfulfilled products at their disposal. In addition, as of 1987 these farms can directly put a 30 percent quota on their fruit and vegetables on the local market. There are also various contract systems, including the household contract system. Moreover, authorized individual operations are present in commerce and the services industry. A flexible and effective economic management system must be established in order to achieve the above reforms in the economic mechanism.

The main practices in accelerating scientific and technological advances are: First, to reform the scientific and technological structure and to develop scientific research and production into an organized whole. The role of the State Commission for Science and Technology are stressed. It readjusts the

main direction of scientific and technological advances, as well as leads the work concerning comprehensive interdepartmental scientific research and the country's scientific information. It also readjusts the setup of the scientific research system and merges those research institutes in various departments into production units and research-production units. In order to shorten the time taken from fundamental study to practical application it has established a comprehensive interdepartmental scientific organization which is formed by research institutes of academies of sciences, design and technology units and experimental industrial enterprises. Second, to focus on developing new technology and using modern equipment to transform the national economy as a whole. The stress is on accelerating the development of technology-intensive departments, studying, and mastering technology concerning electronics, computer, robots, new materials, soft production systems, and bioengineering; the techniques of eliminating wastage and conserving energy; space technology and information technology as a whole. On the basis of fundamentally transforming old enterprises in terms of technology and techniques the Soviet Union strives to accomplish total mechanization, automation, computerization and utilization of robots in production. Third, to promote comprehensive international cooperation and to make full use of the world's new achievements in the technological revolution. Taking the "Comecon Comprehensive Program for Science and Technology" as the center, the Soviet Union develops its science and technology into an organized whole by integrating that of Eastern European countries. It expressed its intention to cooperate in Western Europe's Eureka program. In addition, it signed new scientific and technological cooperation agreements with the FRG, France, Austria, etc. It also hopes to conduct exchanges with Western European countries in the areas of space and energy resources development.

Readjustments in the industrial structure are mainly carried out in the following directions: First, by rapidly developing the machine-building industry which is closely related to scientific and technological advances and transforming the national economy. In particular, the readjustment should include the machine tools-building industry, the electronics industry, the generators industry, the microelectronics industry, the computer industry, the instruments industry, and the information industry which really catalyze scientific and technological advances. For this reason, the Soviet Union stipulated that during the 12th 5-Year Plan (between 1986 and 1990) investment in the machine-building industry would be increased by 60 percent. (The planned growth rate of total investment in the national economy is 23.6 percent.) Also, the planned growth rate of output volume of the machine-building industry will be 43 percent, which is 25 percent more than the growth rate of the industry as a whole. Second, by expediting the development of the consumer goods industry. The Soviet Union within the next 15 years will strive to accomplish the special program of developing the consumer goods industry. It is planned to increase the growth rate of the consumer goods industry (to 27 percent) during the 12th 5-Year Plan, which is still higher than that of the means of production industry (24.3 percent). Third, by strengthening such weak sectors of the national economy as agriculture, the energy resources industry, and communications. The Soviet Union will continue to implement the "food program", to cut wastage and losses, as well as to improve economic results and increase the agricultural output volume mainly by perfecting

management and operations, and popularizing the techniques of carrying out intensive work. In energy resources the Soviet Union stressed the development of nuclear energy. It is planned that the generation capacity of nuclear power will be increased by 4 to 6 times within 15 years, or to about 100 million kwh by the year 2000. At the same time it stresses conservation and urges the country within these 15 years to save 200 to 230 million tons of organic fuel and to fulfill the 70 to 80 percent increase in the demand for timber during this period by conservation. There are also new and strengthened measures to communications.

The essence of changing the principle of capital construction and investment policies rests with changes in four areas; to change the focus from the quantity index to the quality and economic results indexes; to change the intermediate achievements into final achievements; to change the funds for expanding production into those for updating production; and to change the increase in fuel and energy production into the improvement of their utilization. For this reason the Soviet Union decided to abandon the old pattern which stressed new construction and to replace it by the new one which focuses on technological transformation. It thus increases the ratio of investment in the technological transformation of existing enterprises.

The Soviet authorities anticipate that by implementing the above measures the national economy as a whole will switch to a road of intensive operations and will comprehensively improve both economic quality and results. Only thus can the general goal stated in the new strategy be realized.

3. The Basic Characteristics of the New Strategy

Though the new strategy adopted by the 27th CPSU Congress is one of the products of an extended line of Soviet economic development strategies in various periods, in a certain sense it maintains the nature of inheritance and continuity. But it carries further with many new characteristics of its own.

In the guiding ideology there have been great changes, which is the first characteristic of the new strategy. This is mainly manifested in the understanding of some major issues. For example, the Soviet Union to varying degrees, has broken through traditional concepts and proposed its novel ideas in this historical period of production relations and productive forces, the ownership of the means of production, commodity-monetary relations and the market mechanism, etc. On the issue concerning this historical period the Soviet Union has ultimately negated the ultra-"leftist" formula to build communism in 20 years, which was proposed then by Khrushchev. It has also profoundly criticized the viewpoint that the Soviet Union had built developed socialism which was put forward by Brezhnev in 1967. Though Gorbachev continued to adopt Andropov's "starting point theory" (the Soviet Union is at the starting point of developed socialism) on this issue, he actually wanted to "systematically and comprehensively perfect socialism." In October 1986 Gorbachev further proposed that the Soviet Union is a "developing socialist" country. On the issue of productive forces and production relations he sharply criticized the viewpoint that under socialist conditions production relations could adjust themselves to the productive forces. He stressed the

objective necessity of constantly perfecting production relations. On the ownership of means of production he put an end to the protracted practice of focusing on ownership by the whole people, stressed developing and consolidating ownership by collectives, and promoted diversification of economic patterns. On commodity-monetary relations and the market mechanism he began overcoming the deep-rooted "prejudice" against them and advocated efforts to use their positive roles.

Changes in the guiding ideology in the above areas reflect that the present Soviet leadership realizes what the problems are and understands their causes in terms of socioeconomic development. Gorbachev believed that over the years the Soviet Union had made mistakes in its socioeconomic development mainly because of its subjective causes. He clearly pointed out that the traditional economic pattern was formed under extensive conditions. It became an "obstacle" in trying to switch the economy to the track of intensive development. He criticized his predecessor saying that he "was unable to promptly and properly estimate changes in the economic situation and the necessity for conducting profound reforms in various realms of social life," "thereby bring about many economic and social difficulties and blocking progress."

While stressing economic results he paid more attention to the growth rate, which is the second characteristic. As early as in the 1950's and 1960's, the Soviet Union took advantage of its rich material resources and adopted extensive operations. This at once helped the Soviet Union achieve rapid economic development. By the 1970's however, because the economic management system was unable to conform to the need for a change in the national economy to the track of intensive development and because there were problems in scientific and technological advances, the implementation of the intensive operations policy was not successful. As a result, not only did its quality and efficiency fail to improve, its economic growth rate also gradually dropped below the normal level. Gorbachev believed that in order to rejuvenate the Soviet economy, he must simultaneously grasp speed and results. His proposal is fully reflected in the new strategy. The general goal in the new strategy has both speed and efficiency indexes. Furthermore, the former is based on the latter. The speed index of the new strategy is undeniably rather high. But its realization depends on intensive economic development and improvements in quality and efficiency. In his report to the 27th CPSU Congress, Gorbachev expounded clearly on the relations between speed and efficiency. He said: Acceleration mainly refers to an improvement in the speed of economic development. In practice, however, we refer to the development of a new quality. We should strive to promote intensive development in the areas of scientific and technological advances, economic structural transformation and efficient management and labor organizations as well as on a stimulating basis.

The third characteristic of the new strategy is its comprehensiveness. In the past the Soviet Union's economic development strategy was mainly to develop an economy in accordance with economic theory. There was little or no exposure to social relations, the political system, ideology and other realms. Consequently, the realization of economic goals was to a certain extent restricted by these factors. Gorbachev summarized and drew lessons from the experiences of his predecessors. He adopted a principle of handling

the issue in an all-round way. He closely integrated economic development with the perfection of the political system and the enforcement of positive social policies. In his report to the 27th CPSU Congress, he said: "The principle of accelerating development must by no means be limited to the transformation of the economic realm. It also includes the enforcement of positive social policies and the establishment of impartial socialist principles from start to finish. To accelerate the pace of the strategy we must perfect social relations, modernize the work style and methods of political organs and ideological organs, develop socialist democracy in an in-depth manner, and insist on eliminating inertia, sluggishness and conservatism--eliminate everything that prevents society from making progress." Judging from the relevant data the Soviet Union's direction in perfecting the political system is to carry forward democracy and people's autonomy, to advocate the practice of telling the truth, to promote its publicity, to strengthen the legal system, and to implement a principle that integrates the one-man leadership system with the election system. In social policy, he paid attention to people's sufferings, was determined to constantly improve people's living and working conditions, strived within a short time to fundamentally solve the food problem, ensure the supply of quality foods and services, improve housing conditions, medical services, etc. In ideology, he urged that the rule of public opinion and that of propaganda work be strengthened. In short compared to the previous strategy, the new one has made a breakthrough in terms of the way matters are handled and comprehensively readjusted.

Gorbachev's economic reforms are different from the past ones conducted in the Soviet Union. Since the 1950's the Soviet Union has carried out relatively large-scale reforms on four occasions. With the exception of reforms carried out in 1965, none of them were called reforms. Instead, they were called reorganization, perfection, transformation and the like. Gorbachev not only clearly named the work reforms but also frequently advocated that "fundamental" and "comprehensive" reforms must be carried out. He further stated in his later speeches that "we should make reforms equal to revolution," and stressed that the present "reforms are a series of real reforms." The past reforms actually never touched on the issues of the market mechanism and competition. Correct opinions advocating the roles of the market mechanism and competition were even suppressed. Gorbachev expressly proposed that the Soviet Union should actively implement the commodity-money relationship and the role of the market mechanism. In the course of reforms he popularized the profit sharing and fund-raising methods of such experimental units as the Su Mu (3685 1191) machine-building factory. His aim embodies the promotion of competition among enterprises of the same trade. This reform has, to a certain extent, broken through the traditional "forbidden areas." For example, individuals are allowed to run private operations in commerce and the services industry, the household contract system has been popularized among the peasants, etc. The scale and speed of reshuffles and organization readjustments which took place after Gorbachev assumed office were so large and fast that they outshone his predecessors. In his attitude toward the economic reforms of other socialist countries Gorbachev also changed the usual practice of the Soviet Union and gave them affirmative comments. In addition to drawing lessons from their experiences, All these will play a considerable role in reforms.

Moreover, another characteristic of the new strategy is that it is further closely related to diplomatic work. In order to make the latter serve the purpose of promoting the strategy Gorbachev launched a large-scale readjustment and reshuffle in diplomatic work as a whole. Following the foreign relations work conference held in May 1986 he further accelerated the pace of readjustment. One of the Soviet Union's aims in readjusting diplomatic work was to create a relatively favorable international environment for the new strategy and, at the same time, to obtain more capital and advanced technology from Western countries.

4. Prospects for the Implementation of the New Strategy

Up to now, to "promote the strategy" is still in outline form, and there are many problems yet to be solved. In particular, the general planning of the economic management system reform is missing. Objectively, though Gorbachev is determined to make reforms promote the implementation of the new strategy he faces great hindrances. He openly acknowledged this point in his speech delivered at a plenary session of the CPSU Central Committee held in June 1986. Because of complicated developments in matters I can only conduct a preliminary analysis on the prospects for the implementation of the new strategy by basing it on the basic factors of various areas.

The key to the issue of whether or not the general goal of the new strategy can be realized rests with the work done in the first five years where the reform of the economic management system is the key to the work. It is just as Gorbachev said at the plenary session of the CPSU Central Committee held in June 1987; the 25th 5-Year Plan will play a "special role." The development speed of society and the economy, as well as people's living standards and well-being rest on the work done in these five years, which will be the basis for realizing the fundamental transformation of the national economy and the acceleration of scientific and technological advances.

Objectively, the present economic reforms have many advantages. Gorbachev is a young and capable person determined to carry out reforms. Except for cases under special circumstances, his age may allow him to stay in power until the turn of this century to maintain the continuity of his policies. Over the past year and more after he assumed office he carried out large-scale reshuffles and readjustments in organizations at all levels, thereby forming a contingent of workers in favor of the reformers. Therefore, there will not be any large-scale fluctuation in the implementation of reforms despite minor mistakes and setback. Also, these reforms were carried out on a timely basis. The Soviet Union was ruled by two short-term leaders after Brezhnev. During their reigns the people pressed for putting an end to the present situation of society and the economy. When Andropov was in office there were large-scale theoretical discussions on national economic reforms and large-scale economic experiment programs were begun. Also, these reforms and the new strategy were included in the new party program before the formulation of the new 5-year plan and the convention of the 27th CPSU Congress. And they were carried out in the 5-year plan. Judging from practice it seems that reforms are to be carried out in two steps. The first one is basically to promote the new method of operations which have been proved effective in a large-scale economy

and at the same time perfect and improve them in addition to adding new contents. The second one is to carry out 'fundamental' reforms based on the achievements that have been made. Furthermore, experiences in other socialist countries also provide Gorbachev's reforms lessons in some areas so that he can avoid taking a winding course.

The present reforms also face many obstacles and difficulties which mainly come from groups and individuals with vested interest. Reforms redistribute power and interests. They will inevitably be undermined and resisted by these groups and individuals. This is the main reason for the failure of Brezhnev's unfinished economic reforms on two occasions. Gorbachev replaced many staff members in organizations at various levels with his supporters, although the resisting power is still quite strong. The difference in the presentation of speeches made at the 27th CPSU Congress clearly manifested this point. The deep-rooted bureaucratism and the force of habit of sticking to hackneyed practices are also a major obstacle to reforms. Some management personnel only get used to enforcing administrative decrees but are not good at applying economic means to economic management. Some understand the necessity of reforms in terms of politics but do not know how to realize them. Some know nothing about the essence of reforms and do not believe that reforms will be successfully carried out. In his speech at the plenary session held in June (1986) Gorbachev pointed out: There are some obstacles in the course of reforms: some leaders make their best efforts to maintain their authority; outmoded concepts still drag the development of reforms; and the power of inertia is so strong that the progress of reforms is retarded. Shortly thereafter he further pointed out at an awards presentation meeting held in Vladivostok: "Many regions and departments in our country are still discussing reforms. But the work of the reforms is still at its original level." Furthermore, some traditional concepts and theories are still binding the way Soviet people think. This will basically restrict the extensiveness and intensiveness of the present reforms.

After judging the favorable and unfavorable conditions of Gorbachev economic reforms we can see that reforms may, to a certain extent, make achievements. But it is very difficult to completely realize the anticipated goal.

Achievements made by economic reforms at the first step will influence scientific and technological advances and the transformation of the national economy, as well as the achievements made by scientific and technological advances and the transformation of the national economy. This will therefore promote the realization of the 12th 5-Year Plan. The Soviet leaders will firmly grasp the implementation of measures for all other areas and continue to vigorously consolidate leading groups and their discipline. Judging from the 12th 5-Year Plan, the planned goals are not very lofty compared to those set 5 years ago and the achievements realized in 1985. Thus, it is not difficult to achieve these goals. Since 1986 the economic situation in the Soviet Union has improved. Between January and September the industrial output value increased by 5.2 percent (the planned annual rate is 4.3 percent), thereby making a good start for the 5-year plan. This plays a positive role in arousing people's morale and setting people's minds at ease. According to the above factors we can anticipate that it is highly possible that the 12th 5-Year Plan will be fulfilled unless there are unexpected incidents.

By the 1990's the development speed of the Soviet society and the economy will be higher than that of the present 5-year plan. But it is impossible to reach the general goal expected by the new strategy. This is because, on the one hand, growth rate targets for this decade are set too high. For example, the average annual growth rate of the national income is 5.1 percent which is higher than the 4.9 percent in the 1970's. And on the other, during this decade the Soviet Union will face a series of unfavorable conditions. They are mainly: Reforms in the economic structure as well as those in the political system which will thereafter face a high political risk and their results are hard to predict. The development of the eastern region, the acceleration of scientific and technological advances and the transformation of the national economy are limited by insufficient funds, while an improvement in the rate of accumulation and a change in the direction of utilizing the investment cannot completely solve the problem and there are restrictions in importing capital and technology from Western countries. Conditions for developing domestic resources further deteriorated and the fuel price in the international market has been weak, particularly in 1986 when the world's oil price dropped so sharply that it was a serious blow to countries like the Soviet Union which earn foreign exchange through exports. It is difficult to promptly put an end to the age-old situation where agriculture, communications and other underdeveloped sectors drag the development of the national economy. Internationally the United States thoroughly understands the intentions of the Soviet Union in its new strategy and will try every means to obstruct it so as not to allow the Soviet Union a breathing spell and so on. Judging from the global view it is expected that in the next 15 years the annual economic growth rate in the developed capitalist countries will be 3 percent, that in the developing countries will be 5 percent, and that in the socialist countries will be about 4 percent. Thus, that rate for the Soviet Union will be approximately 4 percent or more. If all the measures are effective its annual average growth rate of the national economy in the 1990's will be about 5 percent.

FOOTNOTE

1. Figures are calculated using figures of the Soviet Union's 15-year general strategic goal and its 5-year plans.

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